Annual Report 2008

Grupo Santander Brasil

Valuing Ideas for a Better World

BANCO REAL
GRUPO SANTANDER

Santander

Annual Report 2008

Contents

Grupo Santander Brasil

The Organization is committed to efficiency in business, sustainable products and services, respecting people and the environment.

Profile

The Santander Economic-Financial Conglomerate operates in Brazil through its subsidiaries Banco Santander S.A., Santander Seguros S.A. and Banco ABN AMRO Real S.A. and their respective subsidiaries. Its joint activities in the financial market position the Group as the third-largest private bank in terms of assets. Its controlling company, Banco Santander, S.A., headquartered in Spain, is the largest international financial group currently operating in Brazil.

Guided by the commitment to combine efficiency in business – by developing sustainable products and services – with respect to people and the environment, the Organization conducts its activities in four areas – Retail, Companies, Wholesale and Funds Under Management, which includes Asset Management and Private Banking – all placed at the disposal of customers in all regions of Brazil.

To meet the needs of its more than 8.5 million customers quickly, safely and with the utmost care, the Group has 3,592 points of sale [(1)] and 18,115 ATMs – a structure designed to support the strategy to be the most efficient and best bank in Brazil by 2010. The 2008 results are proof that we are following this path: R$315.0 billion in assets and net income of R$ 2.8 billion, an increase of 3.7% over the previous fiscal year. The volume of business also grew with an increase of 24.5% in credit operations and 34.9% in deposits. The Basel Ratio stood at 14.7%, above the minimum determined by the Central Bank of 11%.

Another goal of the organization, which is also fundamental to achieve its main strategy, is to be among the best companies in which to work. Acting towards this goal is a result of our belief that the more than 53,000 employees who are part of our organization are its most valuable assets. That is why we provide a structure that assures them the opportunities for personal and professional growth, recognition and well being.

The Grupo Santander

With more than 150 years of history, the Grupo Santander, headquartered in Madrid, Spain, is the largest financial institution in the Euro zone. Founded in the city of Santander, in the province of Cantábria, the bank is now present in more than 40 countries. At the end of 2008, it had 13,390 branches, more than 170,000 employees, 90 million clients and a volume of funds under management of more than €1,168.4 billion. Net profits for the period were €8.9 billion, 9.4% greater than that reported in 2007.

In Latin America, where it has a strong presence, the bank had net income of €2.9 billion, 10.4% higher than the previous year. Of these results, which correspond to 32% of the net global earnings of the period, Brazil's share was 38% [(2)]. *(More information is available in the Santander in the World chapter beginning on page 62 of this Report).*

(1) Points of sale – branches + PABs

(2) In the calculation of Brazil's share only three months of Banco Real's results were considered.

Group's Vision

Santander seeks to consolidate its position as a large International Financial Group, offering growing profitability to its shareholders while satisfying all the financial needs of its customers. In order to achieve this, it combines business polices and global capacities.

Mission

To develop and consolidate a leading financial franchise in Brazil, by creating value for shareholders, customers, employees and for the local communities.

Corporate Values

Dynamism: The initiative and agility to discover and exploit business opportunities before our competitors and the flexibility to adapt to market changes.

Strength: Our strong balance sheet and prudent credit management are the best guarantees of our capacity to grow and generate shareholder value over the long term.

Leadership: Leadership vocation in all the markets where we operate, with the best teams and always focused on the customer and on results.

Innovation: Constant search for products and services that meet customers' new needs and enable us to obtain returns higher than those of our competitors.

Business oriented: The customer is the focus of our strategy. We aspire to continuously increase the number of our customers, their satisfaction and linkage through a wide range of products and services and the best quality of service.

Professional ethics: Over and beyond strict compliance with laws, codes of conduct and internal regulations, all Santander employees must act honestly and transparently and always put the Group's interests before their own.

Joining Forces

Integration for leadership

Santander took an important step forward in its strategy for growth with the acquisition of Banco Real in October 2007.The acquisition represented a benchmark and put the bank in the forefront of the reorganization of the banking sector in Brazil, which is the result of a process of consolidation worldwide as the financial crisis unfolded and spread over the last year.

The year 2008 was dedicated to the first stages of the integration of the two organizations, which should be concluded by the end of 2010. This included actions on various fronts, with emphasis on the unification of the technological bases and the alignment of strategic areas and corporate policies.

The integration of employees was designed to combine the best of both cultures, based on the experiences that have led Banco Real and Santander to the forefront of commitment to the professional and human development of their employees. This means that the integration was guided by transparency, in step with the objective of making the Grupo Santander Brasil the best bank to work.

The purpose of this Annual Report is to show to all of the stakeholders involved in the day-to-day life of the organization the differences, the processes and the results gained in the initial stage of the integration. For the first time, the report was prepared as a single piece – combining the Annual and the Sustainability Reports – which

A history of achievements

1970

Founded in 1857, the Grupo Santander began operating in Brazil in 1970, when it opened its first representative office.

1982

In 1982, the institution opened its first branch to the public in Brazil.

1925

Clemente Faria starts The Bank Cooperativa Bancária in Minas Gerais, which two years later became known as Banco da Lavoura.

1945

Banco da Lavoura arrives in São Paulo and by1958, opened branches in Recife, Salvador, Amapá, Porto Alegre, Brasília, New York and Paris.

1963

50% of Aymoré Finance is acquired by Banco Holandês Unido, founded in 1917 under the name Banco Holandês da América do Sul.

1971

The Banco da Lavoura is re-named Banco Real.

The integration of the Santander and Real banks will be gradual and concluded in 2010. Already this process is showing that the best parts of the two cultures are complementary

is consistent with how the Group views the integration of the economic, social and environmental dimensions: as the only way to conduct the business

The publication describes the initiatives adopted to make the Grupo Santander Brasil a financial institution that is stronger and more agile, able to meet the needs, exceed the expectations and provide total satisfaction to its more than 8.5 million customers throughout Brazil. The Report presents some indicators of sustainability that are already integrated with the guidelines of the organization for the coming years, reflecting the Organization at this moment in time and the challenges it faces. The document further describes the lessons learned and the positive impact of this trajectory and fulfills the role of bringing the vision and the guidelines designed for the present and the future for a Group that was born with the commitment to be a partner in the growth of organizations, communities and people. Here, therefore, we begin a new chapter, with the first steps already taken in the right direction!

1991 - 2000

In 1991, Santander Investment began operating in Brazil. In 1997, the Group began expanding its activities in the Brazilian market through the acquisition of Banco Geral do Comércio. In 1998 it acquired the Banco Noroeste, and in 2000 purchased the Meridional and Bozano Simonsen Banks and a controlling interest in the Banco do Estado de São Paulo (Banespa).

2001

In 2001, the financial conglomerate Santander Banespa was created, which became one of the principal private banks in Brazil.

2006

In 2006 Santander realized the unification of the brands, legal incorporation and technological integration.

2007

In October Santander formally acquired Banco ABN AMRO, the controlling company of Banco Real, through the creation of the RFS Holdings B.V. corporation, which also included The Royal Bank of Scotland Group plc, Fortis N.V. and Fortis S.A. N.V.

1998

Acquisition of the Banco Real by the Dutch Bank ABN AMRO, formerly the Banco Holandês Unido. In 1998, ABN AMRO also acquired Bandepe (Banco do Estado de Pernambuco).

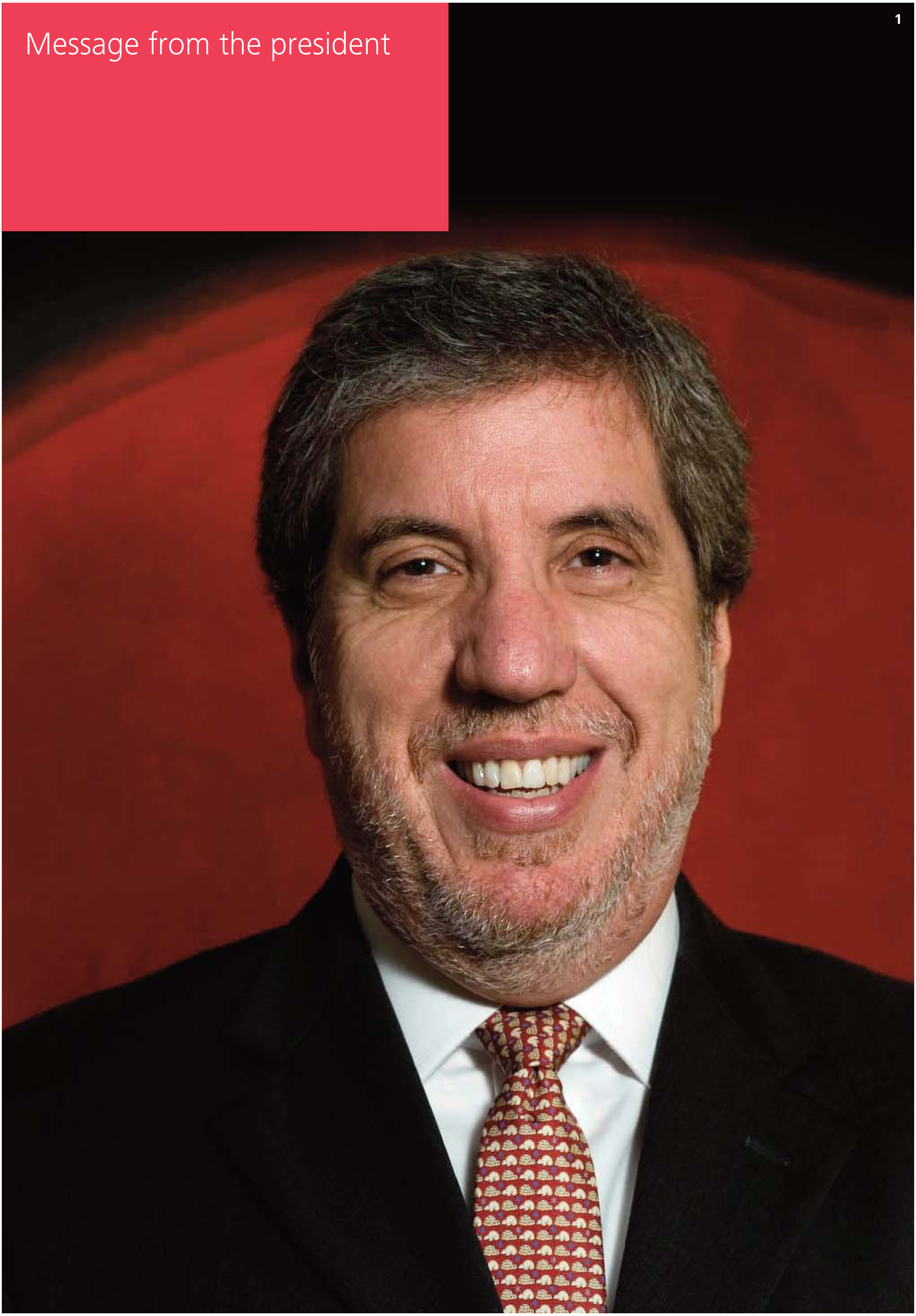
2001-2003

In 2001, ABN AMRO acquired Paraiban (Banco do Estado da Paraíba) and in 2003, the Banco Sudameris, expanding the scope of business and complementing the commercial strategy of the Organization.

2008

Fabio Barbosa, the President of the Banco Real and Febraban, was nominated to be the principal executive of the entire operation of Grupo Santander Brasil. Santander and Banco Real now form a single Organization, the Grupo Santander Brasil.

Message from the president



We continue to build win-win relationships with all of the stakeholders with whom we have relationships. It will be the quality of these relationships that will make our bank the most efficient and best in Brazil

The world is undergoing a critical period in history. One of the periods of greatest prosperity on the planet has been followed by a crisis of global dimensions, comparable to the crash of 1929. The source of all of this turbulence lies precisely in the cause of the excessive growth that preceded it: too much assumption of risk. In November 2008, the G20 (the G7 expanded) produced a diagnosis of the crisis in which it emphasized the failure to comprehend the importance of these risks.

Among the poorly-assessed risks, the analysts were almost unanimous in their indication that the failure of systemic risk was a critical factor. This revealed a clear understanding that the most serious problem was not in one or another part that makes up the system, but in the dynamic established among them that affected the system as a whole. The recognition of this interdependent relationship is being more and more clearly perceived to be essential to the ability to manage these relationships and of the interests between the parts, given the growing complexity of the world in which we live.

By recognizing the interdependency and the importance of the parts as a whole, mankind has a great opportunity to make a significant improvement in the quality of relationships, in the tools of management and in their development. The contrary example of the so-called sub-prime crisis is very illuminating. What appeared to be a problem confined to the mortgage sector of the U.S. economy proved to be the trigger for a giant crisis, reflected in global credit and with negative impacts on the world economy. And it raised a discussion about how to improve the capitalist system, so as to limit the excesses that could be prejudicial to all. An example of this is the need to find a balance between the total lack of regulation of investment banks and the dangers of excessive regulation in order to create an efficient financial system. In other words, a very important discussion has begun, which in the medium term will cause the current moment to be remembered as the beginning of a significant correction in the change of direction of mankind.

And it is in the midst of this relevant moment for society that we are beginning the process of integration of two rich and successful cultures in the financial market: Banco Santander and Banco Real. Our challenge, which began in 2008, is not trivial: we need to understand the unique qualities of each of the two banks to create a third culture capable of perceiving these nuances and operating in the new scenario that has presented itself.

Our goal is to build the best and the most efficient bank operating in Brazil. To achieve this end, we will continue to build win-win relationships with all of the stakeholders with whom we have relationships, and it will be these links that will provide us a solid position in the market. We will combine an excellent array of products with a relationship focused on the client. We have an excellent structure, because we are an organization that has both a strong tradition in risk management and generation of results with a daring innovative spirit and a passion for leadership in a globalized market. Our results are proof of this reality. We finished the year with an increase of 24.5% in credit operations and 34.9% in deposits compared to last year; our assets totaled R$ 315.0 billion, 14.1% more than in 2007; and our profits increased by 3.7%, to R$ 2.8 billion.

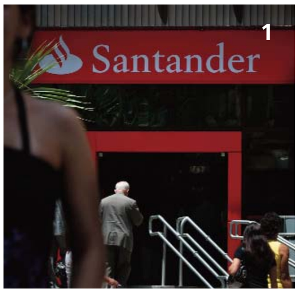
Our operations were exceptional in confronting the crisis: we maintained the pace of growth in our retail products and solidified our relationships in corporate business. It is important to point out that at the end of March 2009, as these lines were being written, we were part of the seventh largest bank in the world in market value, with a strong presence in recognition in the countries of Latin America, providing great support for our clients operating in this region. Our posture, our products and services are guided by the principles of sustainability. Added to these are our global programs for Support for Higher Education - Santander Universities and the Universia Network – that complement our mission to promote a better, more just and sustainable society.

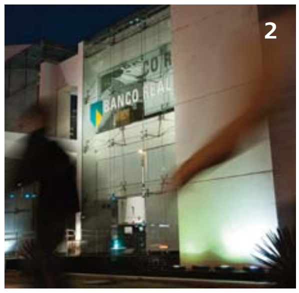
As a global organization, solid and committed to its clients, shareholders, employees and partners, we have the means to make a significant contribution to the evolution that is needed in our market, for our organizations and society.

We are convinced that a new, more integrated and more secure world is arriving. We will work together and create in this new scenario a reference for success in which all of us can be proud to be a part.

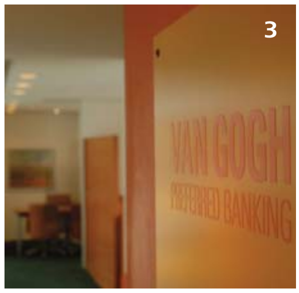
Fabio Colletti Barbosa

Market of operations





The strength of its financial system and the expansion of credit have helped Brazil to become a leader in its response to the international economic crisis



The year 2008 was marked by the international financial crisis that required coordinated actions on the part of various governments and Central Banks to stop a more significant damage to the macroeconomic environment.

For Brazil, however, 2008 was a good year. For the greater part of the period, the emerging countries were able to withstand the crisis, principally because of the strengthening of their domestic markets. In Brazil, in addition to this factor, there was an expansion of credit and improvement in the fundamentals that contributed to reinforcing a stronger position. At the beginning of the year, the announcement that Brazil had moved from an international debtor to a creditor position was an important factor in improving the perception of investors with regard to the economy, and, later contributed to improving the sovereign risk rating by two of the most important risk classification agencies.

By the third quarter of the year, Brazil was taking giant steps: the GDP grew over a 12 month period, by 6.8%, well above the 5.4% recorded during the same period in 2007. Per family consumption and investment recorded, also in the period, growth rates of 7.3% and 19.7% respectively – percentage increases that were quite high in comparison to the third quarter of 2007, when these rates were 5.7% and 15.2%.

In the fourth quarter, however, the indicators began to reflect the impact of the crisis, showing a slowdown in the rate of growth in the economy. Despite this slowdown, the balance for 2008 was positive, with a growth rate of 5.1% in GDP.

The labor market reflected increased activity in the economy and recorded one of the lowest rates of unemployment in recent years. The average index reached 7.9%, well below the 10.8% over the period 2001 and 2007. New job creation reached 1.45 million, and average income, in real terms, increased by 3.9%.

For most of the year, inflation remained high, close to the upper limit of the target range (6.5%). This caused the Central Bank to increase the Selic rate from 11.25% in 2007, to 13.75%. Nevertheless, even in the third quarter, with the worsening of the global financial crisis, the institution interrupted the cycle of highs in the rate of interest because of the uncertainties with regard to the possible impact on the economy. Inflation showed a slight deceleration and finished 2008 at 5.9%. The crisis also provoked an impact on the Real, which reversed the trajectory of appreciation and finished the year at R$ 2.34/US$, after reaching one of the lowest levels in recent years.

In the fiscal area, the Government continued to experience declining net public debt and an improving debt profile. In December, the ratio of net debt/GDP reached 36.0%. In the international sector, the trade balance recorded a surplus for the year of US$ 24.7 billion, less than the US$ 40.0 billion reported in 2007, but positive nevertheless given that the international environment was less favorable. International reserves and direct foreign investments continued at high levels, totaling US$ 206.8 billion and US$ 45.1 billion, respectively.

The year 2008 was also important in the process of restructuring the National Financial System. The government and the Central Bank announced various measures, from promoting competition by regulating banking fees, to activities to increase liquidity because of the international crisis. Large banks announced mergers, beginning a process of consolidation in the Financial System, which included, among other features, lower leverage, less dependency on international sources and improvements in the quality of the assets, all of which contributed to attenuating the impact of the crisis.

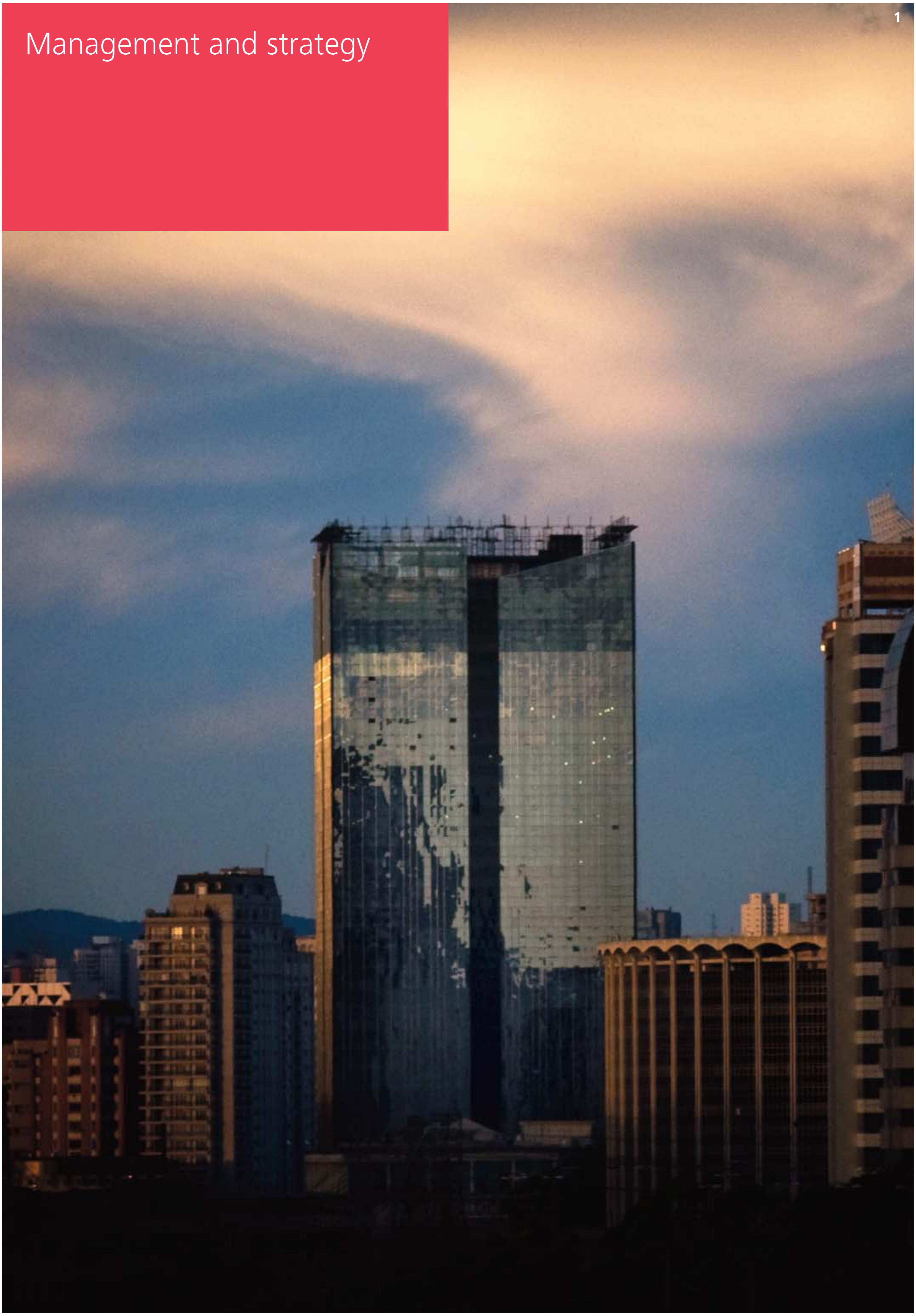
In this scenario, credit operations continued their expansion trajectory, reaching R$ 1.2 trillion in by December, a significant growth of 31.1% over 12 months. The performance of the private sector and the dynamism of the labor market were some of the factors that made possible an increase in credit, which favored the process of expansion of banking services. The credit/GDP ratio was 41.3% for the year.

The increased dynamism of the credit market was reflected in the operations for Institutional Credit, which increased by 38.9% over 12 months, greater than the 31.8% reported in 2007. In this portfolio, the most important products were Working Capital, which increased by 74.6%, leasing (58.8%) and the Guaranteed Checking Accounts (21.4%). Together, these products account for approximately 60% of the Institutional Credit portfolio. The Individual Credit portfolio reported growth of 24.2%, a performance well below that of 2007, when it increased by 33.4%. Mainly, this result reflected a decline in the dynamism of the payroll loan and CDC+ leasing products, which reported rates of 22.3% and 24.7% over the 12-month period, respectively. In 2007, the rates of growth in these products were 34.9% and 44.3%. Together these products represent 65% of the Individual Credit portfolio.

Funding also reported lower rates of growth, of 14.4%, for a total of R$ 2.1 trillion through December. Time deposits were the highlight for the year, with a growth of 85.0%, against the performance of savings (15.6%) and funds (-0.8%).

Despite the satisfactory increase in credit throughout 2008, Brazil still has a small percentage of credit in relation to GDP if compared to other developed countries. However, this indicates a significant potential for bank expansion and an increase in the volume of business.

Management and strategy



The acquisition of Banco Real reinforced the aspirations of the Grupo Santander Brasil to be the best bank in Brazil

The goal of the Grupo Santander is to be the best and most efficient bank in Brazil by 2010. An essential part of the strategy of growth, the acquisition of Banco Real in October 2007 was an important step toward this goal, in addition to strengthening the foundation for achieving the four objectives that make up this ideal:

1. **To be the best bank in Brazil means adding value to its shareholders,** which includes efficiency in its spending, enhancing the value of the brand, winning and retaining customers and obtaining results in the short and long term.

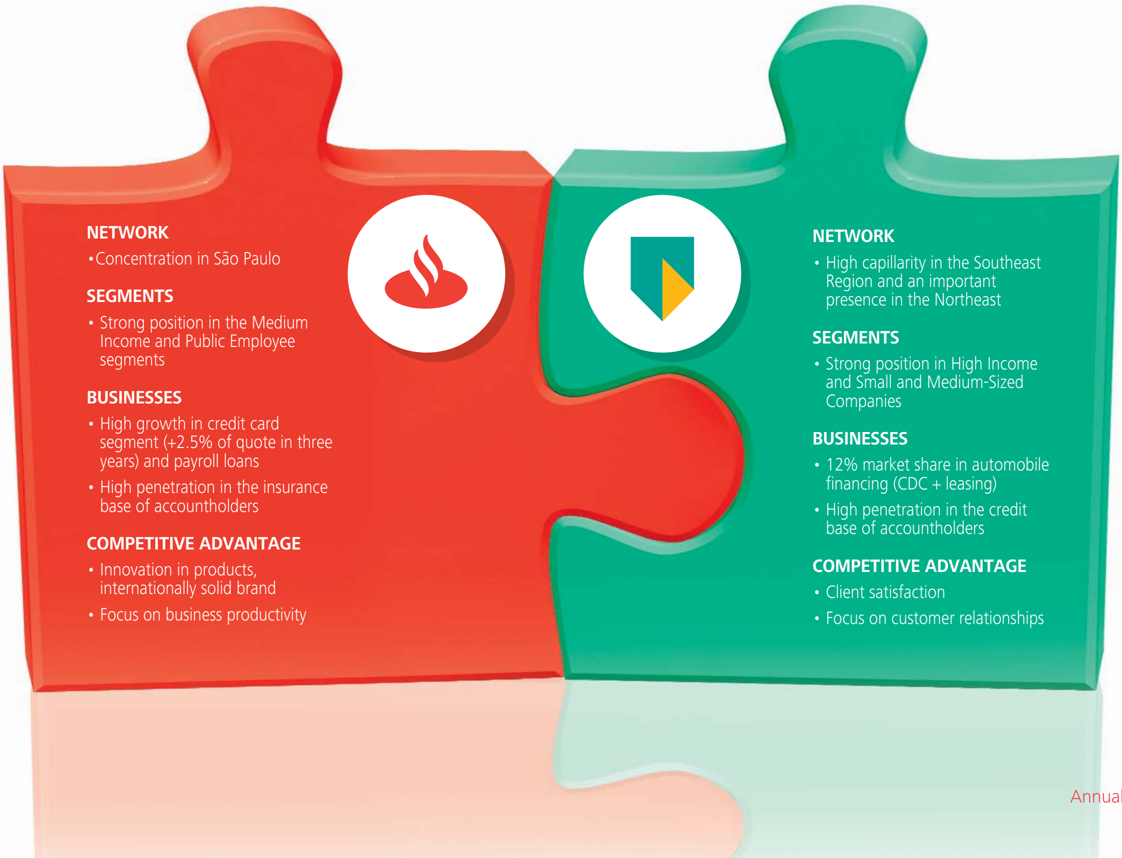
2. **To be the best bank in Brazil in terms of client satisfaction.** To achieve this objective the bank uses differentials such as segmented services, competitive costs, efficient and effective processes, innovation in dealing with the needs of customers, integrated services among the channels, quality and services and, above all focus on the focus of the client.

3. **To be the best bank in which to work,** with employees who are engaged and enthusiastic, teams that are trained and qualified and capable of assuming leadership positions in sustainability.

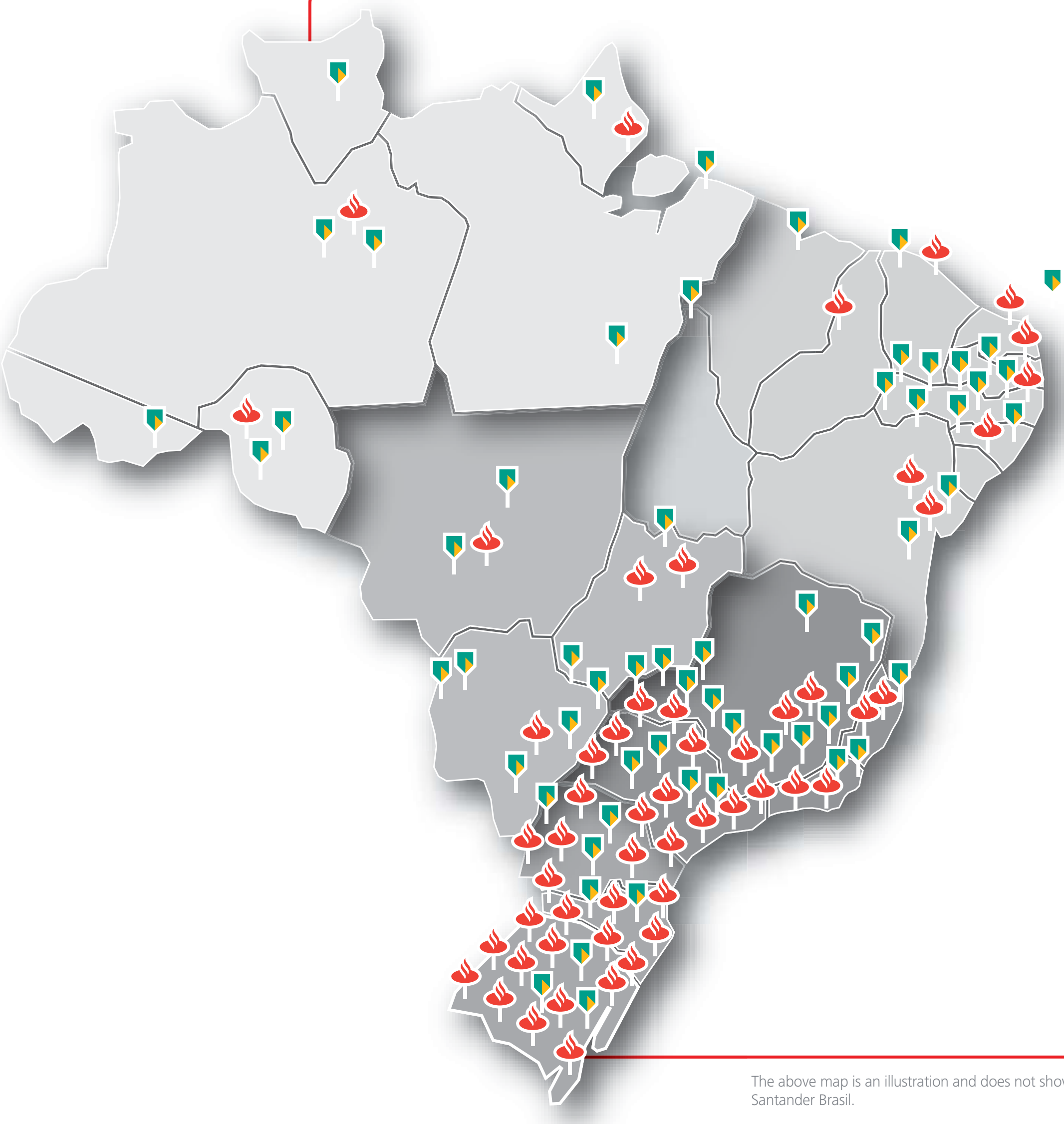
4. **To create the most recognized and attractive brand among all banks in Brazil.** This objective carries with it values such as loyalty, pride, transparency and respect, which provides the credentials for the Organization to be a leader in attracting and obtaining the recognition from the public's with which it works.

The integration of the two institutions finds its greatest strength in complementarity. Geographically, the Grupo Santander Brasil strengthens its ability to operate in the states of the Southeast and South, such as Minas Gerais and Rio de Janeiro, which increases its distribution capacity. In the conduct of business, Santander's strength in the Retail segment, and Real's strength in the Wholesale segment combine to provide a more balanced portfolio. In products, the combination of Santander in credit cards, payroll loans and insurance; and Real in automobile financing and personal credit, made it possible for Santander to almost triple its share in the credit market*, from 5% in 2007 to 14% in 2008.

* Free Credit



Strategy and management



2,089 BRANCHES FOCUSED ON THE SOUTH/SOUTHEAST (74% of GDP)

North: 4% GDP
Quota: 5%

Northeast: 13% GDP
Quota: 7%

Center West: 9% GDP
Quota: 6%

Southeast: 57% GDP
Quota: 16%

South: 17% GDP
Quota: 10%

INFRASTRUCTURE

- *3,592 Points of Sale*
- *18,115 ATMs*
- *More than 8.5 Million customers that are active accountholders*

The above map is an illustration and does not show the details of the capillarity of the Grupo Santander Brasil.

Added to this, are the gains from the exchange of experiences between each institution in the conduct of its business and the application of efficient tools and processes. The alignment of the two cultures, also complementary, is another advantage that reinforces the dissemination of values and visions capable of guiding the growth of the businesses and the individuals that make up the Organization.

Therefore, the integration of the two banks is enhanced through the merger of competitive advantages, such as product innovation, the international strength of the brand, commercial productivity and the focus on the long-term relationship with clients, with the purpose of providing total satisfaction to this public.

Management tools

The development and application of innovative management tools is part of the strategy of the Group to assure the optimization of financial resources and the reduction of risks, offering its teams the necessary support for the performance of their functions and alignment among business areas. Among these tools are: Pró-mais, SuperBase, PANFI, Super Ranking, ARTE, MPI and the Sala Gol, all focused on the continuous improvement of the processes of the branches's network.

Pró-Mais was created in 2006 with the objective of improving service and simplifying procedures at the service centers. In 2008, the initiatives adopted in the scope of the program had resulted in increase of 21% in the branches's productivity. One example of this is the time spent for setting up personal credit, which was reduced from 18 minutes to a little more than one minute, a reduction of 95%. Other results include an increase of 33% in the sales of the branches and the reduction of 52% and the amount of paper used in this process. Over the year, paper consumption was reduced by more than 8.9 million sheets.

SuperBase was reintroduced in 2008 after two years of planning, development and execution, as New SuperBase. This tool makes it possible for the Network professionals to identify the profile of clients and their specific needs, which drives the business, and provides a closer relationship with clients. In the same fashion, there is PANFI, which provides an analysis of the customer and prospect profile and concludes with an MPI – Next Interaction Improvement.

Other management tools adopted by the Organization are Super Ranking and ARTE, used to evaluate and recognize the performance of managers with regard to achieving established business goals, and Sala Gol, aimed at training business managers.

The Grupo Santander Brasil also has tools to measure eco-efficiency to help control and provide support for the reduction in the consumption of materials and energy. Over the year, the Group consumed 3,628 tons of office paper* and 282,699,927 kWh of energy. The consumption of water was 1,097,107 m^3, and the generation of trash in the administrative buildings totaled 2,030 tons. Compared to 2007, Santander and Real registered a reduction of 6% in the consumption of energy and 5.6% in the consumption of paper.

* Rolls, A4, A5 and legal, envelopes for Quick Cash from Banco Real; for Santander only A4 paper.

Employee relations

Ethical conduct, transparency and continuous dialogue are the differentials of the Grupo Santander Brasil to assure a work environment that is stimulating and participatory for its more than 53,000 employees, which is reflected in the satisfaction of its clients.

Using various channels of communication, the Organization works to guarantee that the initiatives directed to the employees, as well as its guidelines and strategies, are effectively followed, and have the commitment of the teams. The activities to disseminate the culture and values of the Grupo Santander Brasil are an integral part of strengthening our calling for retail activity as well as the vision that sustainability is part of our business strategy.

The shift toward sustainability is increasing and, to strengthen the position of the Group with regard to this question, initiatives were promoted such as sustainability workshops tailored to each area (Credit Cards, Consumer Credit, Compliance, Human Resources, Legal and various others). Between October 2008 in February 2009, 32 workshops were held involving approximately 1,500 employees from different areas. The event promotes a reflection about the idea of providing continuity to the definition of an action plan so that sustainability will become part of the everyday decision-making process of the Grupo Santander Brasil.

In the area of Wholesale, for example, the emphasis on training resulted in the realization of the Sustainable Attitudes and Practice with activities for communication and training that included approximately 1,000 individuals, from relationship managers to top management. Among these activities are the Sunset Sessions meetings with experts touching on the fields of economics, social and environmental areas; the objective is to expand our professionals' concept of sustainability. *(More information about our in-company public is available in the chapter on Human Capital on page 50 of this Report).*

Management and strategy

Satisfaction Indicators

The indicators for client satisfaction are presented separately for each institution in this Report because they involve different methodologies. Therefore they are not yet comparable.

Santander (1)

Client satisfaction	
Satisfied	60%
Very Satisfied	11%
Total	**71%**

Survey Date October 2008

Banco Real (2)

Client satisfaction	
Note 4	37%
Note 5 - Totally Satisfied	40%
Total	**77%**

Survey Date October 2008

(1) scale for each interview:
- very unsatisfied
- unsatisfied
- neither satisfied nor unsatisfied
- satisfied
- very satisfied

(2) five-point scale where:
1 = totally unsatisfied
and
5 = totally satisfied

Customer Relationships

The Grupo Santander Brasil is supported on the experience of the Santander and Real banks in developing their products and services in line with the specific needs of the customers in all the business segments in order to be able to be a market leader in quality, with satisfied clients closely related to the Bank. The focus on close customer relationships and quick service is one of the foundations of the model for service that combines the strengths of each institution.

The Group strategy involves a well defined segmentation of customers. Therefore it creates and maintains specialized teams in understanding the needs of different publics, from university students and professional workers at the beginning of their careers through companies of all kinds, sizes and sectors. The capillarity of the branch network, the adoption of efficient and clear policies, in addition to the continuing improvements in the tools and channels of communication, are other differentials that guarantee the necessary structure to satisfy and gain the loyalty of our clients.

In order to respond quickly and anticipate the performance according to the new criteria for operation of the Consumer Service Centers (SAC) – the "SAC Law" – the Group mobilized approximately 200 professionals and reviewed more than 1,000 processes in 2008. In addition, the Bank invested in technology, communication, and infrastructure and increased the number of employees in the client service areas as well as in the training of employees.

Moreover, through the work of the Ombudsman, the Bank engaged in a process of continuing improvement in the performance of its businesses, based on the response from customers. To accomplish this objective, the area participates in weekly meetings of the Retail Executive Committee, in which the main reasons for complaints from customers are presented. Based on this information, action plans are developed and constantly evaluated with regard to effectiveness in the business areas.

Banco Real also uses Client Committees in the different segments in which it has operations. They meet periodically with executives of the Organization, creating a productive channel for dialogue. Today, there are 19 committees in operation, with a total of 241 members in various cities in Brazil. In 2008, groups of advisers were formed inside the large corporate customers.

The satisfaction of clients with the products and services of the banks is monitored via surveys conducted periodically. The most recent results show the growth in the indices of satisfaction both for Santander, from 67% (2007) to 71% (2008), while for Real the index rose from 74% (October/2007) to 77% (October/2008). However, because they use different methodologies, the results for Santander and Banco Real are still not comparable.

To be a market leader in quality, and assure client satisfaction, the Group has invested in a model of quick and nearby service

In addition to bank surveys, clients are encouraged in a general way to respond to questions about levels of satisfaction with the transaction channels and products they use. This makes it possible to identify the strong points as well as others where the bank needs to act more intensively.

The focus on dissemination of this sustainability throughout the value chain also represents a highlight. In 2008, the Organization dedicated itself to selecting the most relevant issues for the Santander and Real banks and to designing a single model for the integration of sustainability into everyday activities.

The Bank's relationships with customers and partners was intensified by using the *Espaço Real de Práticas em Sustentabilidade*, a program that makes available the lessons learned about the insertion of sustainability into business to companies, customers and suppliers. In 2008, 1,170 people from 625 companies with revenues over R$ 10 million participated in the on-site training program *Sustentabilidade na Prática: Caminhos e Desafios*, put on in eight Brazilian cities. In addition, more than 250 people participated in the sustainability workshops, 1,200 participated in four sustainability conferences that were held and approximately 500 people attended the international seminar given by Banco Real and visited the Banco Real's branch in Cotia (SP), that was built on the principles of sustainable construction.

The new site (www.bancoreal.com.br/sustentabilidade), introduced in July, offers online courses, a collection of practices, video chats, forums and a blog maintained by employees of the Group. By the end of the year, approximately 200,000 users had visited the site.

Another example of alignment with sustainability that encourages client engagement is *Papa-pilhas*. This initiative provides for the installation of collection points for used batteries in branches of Banco Real as well as in public schools that are partners in the *Projeto Escola Brasil*, a corporate volunteer program of the Group. The objective is to encourage the proper disposal of these materials for recycling. In 2008 Papa-pilhas collected 123 tons of batteries. These and other practices have been recognized by the Financial Times newspaper, which awarded the title of Sustainable Bank of the Year to Banco Real, in 2008.

Relationships with suppliers

Respect, ethics and transparency characterize the relationship between the Grupo Santander Brasil and its suppliers. In 2008 there were 3,228 suppliers registered, which together represented investments of some R$ 7.3 billion in products and services.

With the integration of the Real and Santander Banks, the area responsible for managing suppliers initially prepared an evaluation of procedures and practices to identify the opportunities for synergies and maximization of results. Among the initiatives adopted in 2008 and scheduled to be concluded by the end of 2009 are the tools for performance qualification and evaluation, which includes technical, administrative, financial, social and environmental criteria as well as governance for the preparation of Indices of Qualification, (IQF) and Performance (IDF) for suppliers, along with regular monitoring of these companies.

In addition to the continuation of socio-environmental criteria as elements for the selection of suppliers, in 2008 the Group extended its commitment to this public and, based on the experience at Banco Real, began to be active as well in the dissemination of the concepts and practices of sustainability throughout its value chain. In 2008 among the participants in the course in Sustainability in Practice: Pathways and Challenges, there were almost 80 were supplying companies.

For 2009, the Organization is expecting to complete the total integration of processes, to hold a Suppliers Forum for the Grupo Santander Brasil and to prepare a new version of Parceira de Valor – a document that provides guidelines for relationships with suppliers and shares the Organization's positions on social, environmental and governance questions.

Brand

The Global Plan for Image and Brand 2007/2010, introduced by the Grupo Santander in all the countries where it has operations, is designed to position the brand among the top 10 names in the world financial sector. After the alignment of the brand, concluded in 2007, the Organization adopted various initiatives, such as sponsorship in sports and education, to strengthen the brand with its relationship publics.

In Brazil, the integration of Banco Real and Santander into a single Organization is designed to create the best and most efficient bank in the country in such a way as to make the brand the most recognized and attractive of financial institutions operating locally. To achieve this objective a project for strengthening its culture and its values was prepared so that the Bank could truly be known in the domestic market and get very close to its customers.

The process of joining the two brands, Santander and Real, which began in 2008, will take place in three stages, and will be conducted with complete transparency for both the internal and external publics: in the first, in 2008, the two institutions continued to act independently, with the beginning of internal integration taking

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place over the Grupo Santander Brasil name; in the second stage, which has already started and is scheduled to last throughout 2009, the two brands will continue to act separately for the external public, with certain facilities for the client, such as the possibility of accessing the ATMs of both banks, and internally, as the Grupo Santander Brasil converging to an optimal model of operations. The final stage, scheduled to commence in 2010, will be the integration of the branch networks, with Santander as the single brand in the market.

To guide its employees during the period of integration, promote the correct use of the brands and to emphasize that there is now a single Organization, the Brand Portal was launched. Published on the Intranet, the portal provides strategic information regarding brand identity and offers support to the employees in their day-to-day operations.

Communications

In August 2008, a new campaign was unveiled and released to the newspapers and magazines with the objective of making the merger of the Santander and Real banks a reality for their respective publics. It was from this initiative that the concept-statement that guided the first stage of communication about the integration emerged: "United, we are even stronger."

To strengthen the image of the brand among the diverse publics and get closer to the public, the Organization made a large investment in sports. Through the sponsorship of the Santander Libertadores Cup, (formerly known as Libertadores da América), the Group was able to reach an audience of more than 1.3 billion people in addition to attracting about 3 million sports fans to 140 games, contested by 38 teams from 11 countries. The selection of Pelé as the ambassador of the Libertadores Cup as well as the Grupo Santander was another important milestone in this period.

By supporting the McLaren and Renault teams in Formula One racing, the Group spread its brand to a public of more than 2 billion people in 200 countries on four continents who followed the broadcast of the races.

Brand images and attractiveness

A tracking market study is conducted to monitor the image of the Santander and Real brands and communications. In addition to the general perception of the brands among the banking public, the study analyzes how well the banks – Santander, Real and five competitors — are identified according to positioning 11 attributes, which include services, relationship and business behavior.

The strength of the brand, the use of modern technologies and a partnership relationship with its various stakeholders are the differentials that lead Santander to stand out in the markets in which it operates

During the period between 2006 and 2008 the gains made by Santander and Real were positive principally with respect to supply and with regard to the attribute "innovation" for Santander. For Banco Real, the most significant evolution occurred with respect to relationship and with regard to the attribute "sustainability." During the same period, the attractiveness of the brands evolved in the same proportion: for Banco Santander – 2006: 6% and 2008: 12%, and for Banco Real – 2006: 20% and 2008: 23%.

Technology

In 2008, the Organization dedicated itself to integrating the two banks' technology areas. Resources were dedicated to the expansion of ATMs and improvements in point-of-sale processing, which resulted in important gains in efficiency. Also important during the year were the investments in measures to combat fraud; for example, the introduction of bankcards with an electronic chip, which has contributed to a reduction of the inconveniences caused to clients or victims of "cloning."

In Internet Banking, various activities for protection and monitoring of transactions were introduced. For the consumer credit segment security and station certification cards were issued. For corporate customers, the electronic token, a portable security device, was made available. These measures alone led to a reduction of 73% in fraud in this channel.

Various improvements also were put into place in the purchase of products and services by clients, which positions Santander as one of the most modern and competitive banks currently operating in Brazil. Internally, other measures were adopted for the same reasons, such as an internal electronic processing of checks cleared for payment or returned in accounts with insufficient balances. Based on standardized rules from the risk area the solution takes into consideration the relationship of the clients and the quality of credit.

All of this work was done in order to preserve the strength of each institution and was based on the Banco Santander's technological platform, which absorbed, among other resources, the customer relationship system (CRM) used by Banco Real.

The Excellence in Processing Program (PEP) also created by Banco Real, was incorporated into Pró-Mais, which enhance the innovative location of the Organization since both are designed to identify improvements and simplifications of processes. Thus, Pró-Mais obtained even more relevance as a strategic tool to create a unique personality for Santander, differentiating its way of working from the competition and consolidating its image in the market.

Under Pró-Mais during 2008, there was increased emphasis on the use of Clique Único (Single Click) for contracting services more quickly without bureaucracy. This approach is complemented by SuperBase, a smart mechanism that indicates to our professionals at the point-of-sale which products and services are most appropriate given the profile of each customer.

With a series of gains accumulated over the year, including reductions in operating time and an increase in the aggregation of new business opportunities, the technological innovations developed as part of Pró-Mais will be extended to the Companies Segment in 2009. Processes will be fine-tuned thanks to improvements such as the guaranteed automatic renewal of pre-approved loans, automation of the transfer process and special rates for businesses, in addition to a series of facilities for negotiating operating limits, working capital and pre-approved loans.

Further in line with innovation, another system tool developed by the Organization is the Evaluation of Operating Quality (AQO), which tracks indicators and organizes them in a ranking according to points of sale, regional offices, networks and the Organization itself. Points are awarded related to the management of clients and employees, pending documentation, personnel management, failures in procedures, audits and occurrences. These projects, totally electronic and published monthly, allow the Organization to identify and correct occasional lapses, and consequently assure the quality of operations.

Another successful action in 2008 was the adaptation of the internal service systems to the new legislation that governs the Client Service Centers (SACs).

During the year, the management of expenses was also improved, reinforcing the process and the culture of controlling expenses. Committees were established for approval of new institutional policies that encourage business managers to use discipline when taking decisions, making them based on a business plan, optimizing the resources of the Bank in the more strategic projects. Additionally, Brazil was the first country in Latin American to adopt the SAP enterprise platform system, which integrates the activities of monitoring and preparation of budgeting, approval of expenditures, purchases and payments.

One of the results of this first stage of integration was the creation of a single technological governance for the two brands, Santander and Real. In 2009, investments will be directed to promoting the convergence of excellence in the consolidation of a single unified platform system, capable of identifying the needs of customers in developing solutions to satisfy them.

Corporate governance

The corporate governance model adopted by the Grupo Santander is characterized by its defense of the rights of shareholders and transparency of management and communication with stakeholders, placing the European units of the Organization among the leaders in corporate governance on the Continent.

With these credentials, the Grupo Santander Brasil dedicated itself in 2008 to the improvement of its policies and practices, strengthened also by the gains in synergy and complementarity resulting from the acquisition of Banco Real.

In addition to having created six special committees, which have been tasked with providing support for decisions of the Executive Committee, a new structure was created at the end of the year for the Sustainability Council, which had already existed at Banco Real. Comprised of executives from all areas of the Organization, the Council encourages debate and discussion with managers about sustainability. For 2009, the Council established a series of guidelines to be placed in practice, and it meets monthly to monitor them.

Policies and codes

To establish and disseminate the codes of conduct expected of all of its employees, the Organization maintains a Code of Ethics that establishes the values of citizenship, dignity, work, respect, loyalty, behavior, effort and efficiency for the Organization and Its Employees; a Code of Conduct for the Stock Market; and Manuals for the Prevention of Money Laundering, Press Relations, and Purchasing Management Conduct, a global publication. In addition, there is also a policy for Security and Information that stresses the principle of confidentiality, integrity and availability.

Compliance with all standards is verified by Internal Audit, an area under the jurisdiction of the company's headquarters in Spain, and reports to the Group's Board of Directors and the Audit Committee.

The external audits are conducted by Deloitte Touche Tohmatsu Independent Auditors.

Organizational structure

Management of the Grupo Santander Brasil is exercised by the Board of Directors with the support of the Executive Officers and an Executive Committee, who are charged with decisions regarding the conduct of business, the allocation of capital and large investments. Both have the support of various specialized committees. In this model, the commitment of management is reinforced with the best practices of corporate governance and the search for interaction of the areas – characteristics designed to achieve sustainable results in the creation of value for shareholders.

Support committees

The governance committees of Grupo Santander Brasil fulfill the function of guaranteeing that the decisions made comply with the guidelines and aspirations of the Organization in a systematic and transparent manner. They are:

Retail Executive – Indicates the business strategy, the budget and the plans for the execution to the Executive Committee. Also assures that the operating performance and the risks inherent in the retail area are duly appropriate and controlled.

Wholesale Executive – Recommends the business strategy, the budget and plans for execution to the Executive Committee to ensure that the operating performance and the risks inherent in the SGB&M are appropriate and controlled and that they are consistent with the highest standards of corporate governance excellence.

Products – Takes action to guarantee that the products and services are guided by the highest standards of excellence, in addition to approving related procedures and activities or themes that deal with the adjustment and control of products.

Customer and Market Risks – Approves the risk levels for institutional customers, including sectorial reviews; and individual clients. Also approves the limits and products for treasury and ALCO risks that exceed the limits of the Santander and Real Operational risk Committee, and within the limits approved by the Executive Committee for Brazil, having previously validated the proposals that exceed the facilities for their presentation to the Corporate Risk Committees of the Grupo Santander.

Corporate governance

Transparency and continuous improvement of policies and practices are the hallmarks of the corporate governance model adopted by the Group

Assets and Liabilities – Controls the management of capital and structural risks of the Balance Sheet that includes Country Risk, liquidity, and interest and exchange rates.

Human Resources – Defines the Human Resources strategies and policies for the Group's companies. Also approves and suggests general procedures for the process of career development, facilitating the identification of professionals that have great potential for the Organization.

Legal – Manages the legal activities of the Bank and monitors and manages the cases in dispute and their provisions. Discusses legal issues that are important to the institution.

Efficiency – Responsible for the improvement in the current model for approval of expenditures and investments, maximizing the use of resources and applying the new model to projects that offer high profitability and/or are more strategic for the Bank.

Compliance – Develops and monitors policies to prevent money laundering in line with the Grupo Santander's worldwide policies. Also monitors the compliance with the Bank's Code of Ethics and Stock Market Code of Conduct instituted by the Bank, seeking to identify possible sources of risk to the compliance with internal standards and conflicts of interest, applies and controls standards for the protection and use of privileged information

Portfolio Risk – Approves the Risk Management Program and its modifications, and monitors the performance of the credit portfolios of both Banco Santander and Banco Real within the limits approved by the Executive Committee in Brazil, providing prior validation to proposals that exceed the limits for their presentation to the Corporate Risk Committee of the Grupo Santander.

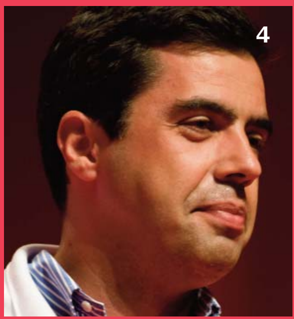
Operational risks – This committee evaluates and approves the principal policies, guidelines, methodologies and tools for the management of operational risks and of the system of internal controls. It also determines the policies for the prevention and reduction of threats and losses.

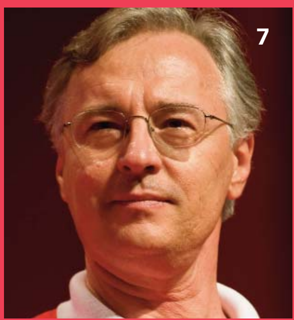
Civil and Labor-Related Liabilities – Evaluation and discussion of the labor contingencies related to civil and labor lawsuits and proposes action plans to mitigate the litigation and the costs of these lawsuits.

Cross-border– Approves and prioritizes operations, from the point of view of allocation of cross-border pricing, considering the scarcity of this limit and discussion about new products that use cross-border financing.

Fiduciary – A forum for the evaluation of all issues related to Asset Management activities that imply institutional or image risk. In addition, it is the responsibility of this committee, through the exercise of its veto power, to sign off on credit limits, counterparties and brokers approved by the Fixed Income, Variable Income, Credit And Brokers Committees.

Social Action – Discuss and evaluates the Group's strategy for social action.





Composition of Committees

	A	B	C	D	E	F	G	H	I	J	L	M	N	O	P	Q
1. Fabio Barbosa President	●	●	●	●	●	●					●				●	●
2. José Berenguer Senior VP Wholesale	●	●	●	●	●	●				●						●
3. José de Paiva Senior VP Retail	●	●	●	●		●		●		●	●	●	●		●	●
4. Oscar Rodriguez VP for Credit and Market Risks	●	●	●	●	●	●				●	●			●	●	
5. Carlos Galan Executive VP for Finance	●		●	●	●	●	●	●	●	●	●		●		●	
6. João Teixeira Executive VP Wholesale	●		●		●		●							●		
7. Pedro Longuini Executive VP for Corporate Affairs	●			●			●	●	●	●		●	●			
8. Angel Agallano Executive VP for the Coordination Office	●						●		●							
9. Gustavo Roxo Executive VP for Means	●	●	●	●			●		●	●		●				●

A. Executive
B. Executive Retail
C. Executive Wholesale
D. Products
E. Customer and Market Risks
F. Assets and Liabilities
G. Human Resources
H. Legal
I. Efficiency
J. Compliance
L. Portfolio Risk
M. Operational risk
N. Civil and Labor Contingencies
O. Cross-border
P. Fiduciary
Q. Social Action

Business performance

An effective sales model, innovative products and services and sustainable practices support our intention of being the best retail bank in Brazil

Financing for sustainability (R$ millions)	2008
Total (Individual + Institutional) (*)	1,279

(*) Corporate: socio-environmental financing by Grupo Santander Brasil.
Individual: socio-environmental financing by Banco Real.

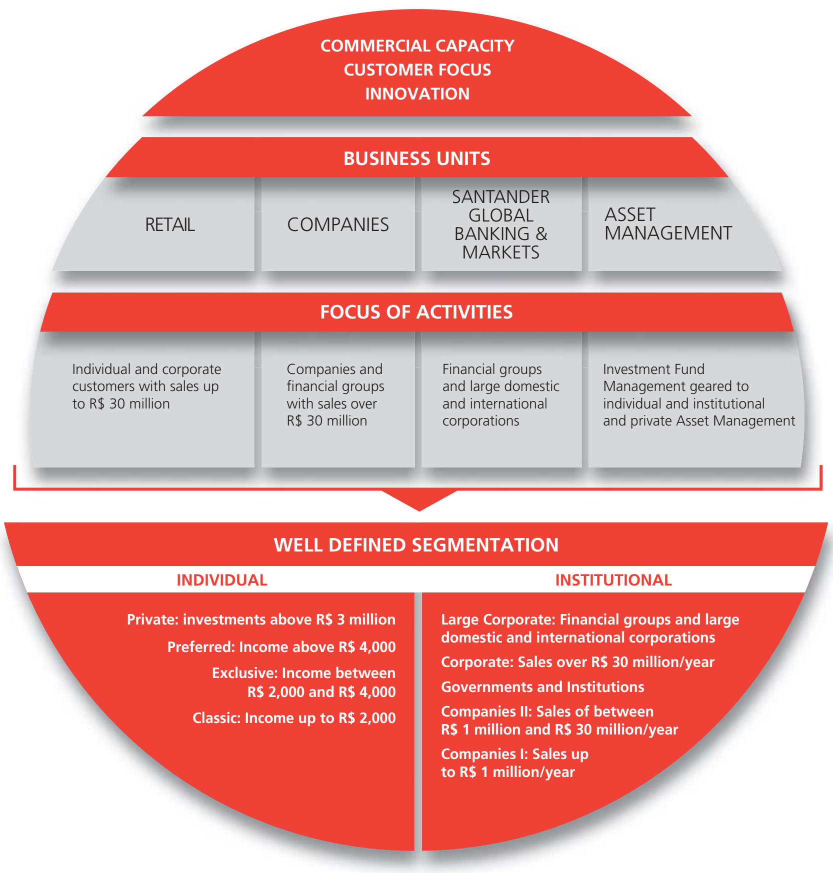
Carbon credits	2008
Total financed by the Bank (R$ '000)	1,144
Total carbon credits generated (t CO_2e)	400,000

Sustainable CDB	
Funding (R$ '000)	38,000
Customers	3,300

The strategy of the Grupo Santander Brasil emphasizes differentiated services based on the segmentation of business and client bases. With its businesses divided into four large areas – Retail, Companies, Wholesale and Asset management – the operations are reinforced by the integration of the teams that allow the development of better products and services, sustained by tools and processes that are efficient and agile.

To strengthen these practices, a new policy for approval and review of products and services for the Organization began in 2008, under the management of the Compliance area in line with the global guidelines of the Grupo Santander and the two banks' integration processes. They assure that no product or new service, as well as any significant change in an existing product, will be sold without its general features having been evaluated by all of the areas involved and approved by the competent jurisdictions.

Among the innovations in this policy is the documentation necessary for the regular processing of product approvals that includes a complete description of the product or service, a Risk Matrix, and a Sustainability Checklist. The latter is a tool that helps product managers understand the dimensions and the impact of their products on society. It was built based on general sustainability criteria such as accessibility, cleaner production, renewable energy and energy efficiency. For instance, at least one of the aforementioned criteria is present in the financing and products presented above.



70% of the labor force is concentrated in commercial activities

Business performance

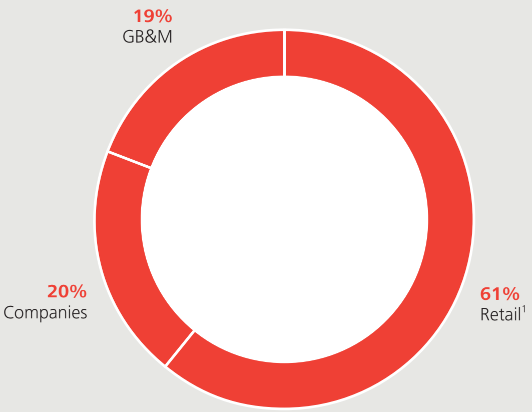
Commercial model

- **Relationship:** Frequent contacts and good relationships.
- **Competence:** Training and individual follow-up.
- **Commercial Activities:** Aimed at boosting productivity, improving relationships with the customer base and client loyalty.
- **Continuous Management:** Planning and tools (Super Ranking, SuperBase, PANFI, ARTE, MPI, Sala Gol, AQO, management of spending productivity and results).
- **Communication:** Programs and events that encourage and stimulate communication.

Distribution of retail credit

December 2008

Grupo Santander Brasil



1. Retail: Individual + Small and Medium Size Corporate

Retail

The goal of the Grupo Santander Brasil, reflected in the merger with Banco Real, is to be the best retail bank in Brazil. With the management of its networks already unified in 2008, since March 2009 clients have been able to share the services of both networks, making a series of advantages available to them. They can count on more than 3.5 thousand points of sale and more than 18 thousand ATMs to provide quick and quality of service. In addition, the possibility of being able to use both the infrastructure of one as well as the other expands the convenience and comfort of each contact with the Organization.

Clients have the advantage of a well structured commercial market, supported by efficient management tools and committed teams that combines the best of Real and Santander: sustainability practices and innovative products and services. This performance was reflected in 2008, when retail activities were responsible for approximately 61% of the business of the Organization, bringing in 2 million new individual checking accounts and 180,000 institutional accounts. An important commercial leverage for acquiring these 2 million new customers was the focus on payroll services, which should add more than 700,000 new accounts in 2009. The individual credit portfolio increased by 18.5% compared to 2007 and the business portfolio (small and medium-sized companies) reported an increase of 27%

In 2010, the Group intends to integrate the two networks under a single brand name under which various business segments will continue to be conducted.

Advertisement published as of March 1, 2009

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Credit Cards

In the credit card segment, the Grupo Santander Brasil in 2008 was notable for reporting growth higher than the average for the sector. In comparison with the previous year, it registered an increase of 41% in credit card billings, while, according to the Brazilian Association of Credit Cards and Services Companies (Abecs), the market reported an increase of 24%.

This performance is due to the introduction and consolidation of existing products, as well as the synergy gains obtained through the merger with Banco Real. The two institutions' teams were fully integrated in September, when they participated in the evaluation and improvement of processes, policies and proposals. In addition, the Santander Free and Santander Light cards passed the one million mark in units issued; this encouraged the area to initiate other innovations, such as the Santander Reward program, introduced with the idea of giving clients points as rewards, and recognizing loyalty by increasing the credit level each year.

In services, activities were developed consistent with the business model guided by sustainability. One of these was the introduction of the "Check Balance by SMS" product, where it is possible for the client to check his unpaid and paid credit card bills using his cellular telephone. The idea is to reduce the consumption of paper and the cost of printing, and encouraging the use of cell phones by the hearing impaired. Another service introduced was the Parcelamento de Saldo (Divide the Balance) program, in line with the concept of adjustable credit. The Supercredit Program was also added during the year, making it possible for the client to add an extra limit to his credit card that can be paid down in installments. The service represents a differentiated means of financing and provides flexibility to meet client credit needs.

The performance of the business segment resulted in various awards for the Grupo Santander Brasil. Among these was the Special Quality Award (Interchange) from Visanet, and the MasterCard Worldwide Award, a testament to the superior performance and compliance with the quality standards of MasterCard. The Organization won the second place prize in the Fraud Prevention category in a survey conducted by Visanet.

Business performance

Insurance, Pension Plans and Capitalization

The Grupo Santander Brasil participates in the insurance segment by providing coverage in the life, personal injury, loan insurance, unemployment insurance and residential insurance branches. In 2008, it reported an increase of 22% in business compared to the previous year, while the sector overall reported growth of 14% during the same period. According to the Superintendency of Private Insurance (SUSEP), the Organization's market share, which in December 2007 was 2.2%, increased to 3.0%. In addition, the Institution reached the historic milestone of R$ 1.3 billion insurance premiums, which led it to a place on the list of large insurance groups in Brazil. The revenues from life and survivors insurance totaled R$ 2.8 billion during the year; it was R$ 2.4 billion in 2007.

This performance is due to the continued investment in technology and team training – despite the effects of the worldwide economic crisis on the economy and the country – and to the synergy gains resulting from the merger with Banco Real, which led to the expansion of the product portfolio. Some examples are Life Insurance for Men and Life Insurance for Women, with additional coverage for cancer diagnoses, that became available to all clients of the Group. Other highlights for the period were the introduction of unemployment insurance for payroll loans in the private sector and the reversal of R$ 354 million in indemnities and benefits to clients.

Based on these results and by the estimate of the National Federation of Pension Plans and Life (Fenaprevi) of 10% growth in the domestic insurance market, the segment is forecasting an increase for 2009. To accomplish this, investments in technology will be reinforced to speed the sales process along with the creation of products adjusted to the needs of clients.

In the area of Pension Plans, the Grupo Santander Brasil closed 2008 with R$ 11.2 billion in reserves, up 17.2% over 2007 – a percentage that is consistent with that recorded by the market.

This performance was achieved even without the integration of the teams, systems and operating processes of the Santander and Real banks, which remained separate throughout the fiscal year. The tendency, however, is that during the second half of 2009 there will be an alignment of prices of products between the two institutions.

Even so, Santander's Pension Plans were selected the second-best in Brazil by *Balanço Financeiro* magazine, published by the *Gazeta Mercantil* newspaper in partnership with the Austin Rating risk classification agency, singling out the Bank based on criteria such as profitability, changes in equity and quality of management.

Guided by these differentials, the business area introduced two products in 2008: Hiper Prev aimed at the classic segment, and Prev Bônus, the only plan on the market that gives clients a bonus of up to 10% of the amount of the initial investment: 5% during the third year of investment and another 5% during the fifth year. The product was sold through the end of 2008 and was included in the Combo de Previdência + CDB (Pension Plan Combo + CDB).

The capitalization business segment, after the merger of the Santander and Real banks, in turn, came to represent more than R$ 1 billion in sales in 2008 for the Grupo Santander Brasil, an amount that was never before reached.

In 2008, the Organization grew 45% in receipts, totaling R$ 974 million, which resulted in 11% market share. In volume of reserves, the expansion was 27%, with R$ 1.35 billion, which represents a 10% market share.

These results put Santander Capitalization in first place in its category for the *Balanço Financeiro* 2008 awards organized by Austin Rating and published in the *Gazeta Mercantil* newspaper. It also earned the Best Overall Performance in the Capitalization category – Insurer Brazil 2009 – with sales of up to R$ 1.5 billion.

For 2009, the area plans an expansion that will be lead to higher penetration of the retail customer base. With attractive rewards for the capitalization product – a mechanism for participating in lotteries that return a large part of the amount paid, different from traditional lotteries where there is no return – it intends to structure segmented offers, with high profitability and no credit risk, as a way of meeting the desires of low, medium and high income customers.

Mortgages

In comparison with the previous year, the volume of mortgage credit extended by Grupo Santander Brasil in 2008 rose 64% in credit origination, to a total of R$ 7.0 billion. A highlight was construction financing, which increased by 102% and reached R$ 5.2 billion. During the same period, the mortgage market in Brazil expanded by 66% — 74% of the volume of financing earmarked for construction — with some R$ 29.0 billion in credit extended.

The good performance of the sector is due in large part to the synergy between the business areas of Companies and Wholesale, which together revised their products and processes to meet the needs of the large real estate developers. Further contributing to the results was the broader focus in the management of expenses, the monitoring of the provisions for loan losses (PDD) and other initiatives linked to the Credit Recovery area.

As part of the frequent development of innovative products, the segment also introduced the *Crédito Mais Conquista*, a long-term lending program designed for individuals who plan to invest in different projects over a lifetime, such as education, the acquisition of leisure-time real estate, travel or other alternatives. For this program, the client may use his unencumbered residence or commercial establishment as a guarantee. This kind of loan carries competitive rates, a longer period for payment and fixed payments, and is offered by the Grupo Santander in various countries where it has operations. Therefore, in Brazil, it has the seal of international experience.

Another product introduced in 2008, in line with the products offered for mortgage credit in different market niches, was *Super Casa – Parcelas Atualizáveis* (Super House - Updated Payments) that uses funds from the FGTS (Workers' Guarantee Fund). The product is intended for clients with a minimum income of R$ 1,000 per month and a maximum family income of R$ 1,875 per month.

Just as with other business areas, the integration of the Santander and Real banks provided various gains to the segment and resulted in the ranking of Grupo Santander Brasil as the largest private player in the mortgage financing market, with 24% of the loan originations for new business. The merger also provided the Organization with an improved focus and a supply of sustainable businesses. So much so that, in conjunction with other areas, like Sustainable Development, Social and Environmental Risk, Legal and Brand Strategy and Corporate Communication, the Mortgage Credit area extended the Sustainability Program to Civil Construction. The initiative is based on the foundations of Real Sustainable Projects, the Engagement of the Sector and Construction for Individuals that are working to disseminate responsible social and environmental practices in the projects financed by the Group and among companies in the construction business. Another initiative that is the result of the union of the two institutions was the application of a satisfaction survey to individual customers of Banco Real, and extended for the very first time to internal clients, employees of the network. The idea of the survey is not just to determine the level of satisfaction, but also to try to understand each stage of the financing process in order to consolidate a lasting and sustainable relationship with the customers.

Because of these accomplishments, the team kicked off 2009 with a spirit of optimism, a year in which the Organization will continue to invest in innovative products and in the improvement of processes, in order to be even more competitive.

Payroll Loans

In 2008, Grupo Santander loans deducted from workers' pay slips (consigned credit) registered 13% growth in comparison with the previous year, an increase in the portfolio's lending volume of from R$ 6 billion to R$ 6.8 billion.

Integration of the products and operations teams began in October and the first steps were the identification and incorporation of the best practices of the two institutions in order to obtain gains from scale, simplification of processes and the ability to offer better solutions to clients.

As a result of these efforts, the focus was directed to large companies, which resulted in the incorporation of payroll services from many of them, including TAM, Magazine Luiza and Votorantim. Aligned with the Group's philosophy, these companies were attracted by the benefits of the proposals that were presented. Aware of the social role of payroll loans, the Organization provides counseling to the business customers who use the benefits for advancing funds to their employees at reduced cost and risk. In this area, among other initiatives, the Bank introduced an unemployment insurance program linked to the consigned loan.

Based on its capacity for growth, even during adverse scenarios such as experienced in the second half of 2008, the area intends to intensify its payroll loans business in 2009 with special attention for two groups: public employees and retirees. In doing so, it will be guided as well by the forecast of a gradual recovery of growth of this kind of lending in the market.

Business performance

SMES – Small and Medium Size Corporate

The business area, which provides services to small and medium-sized businesses (companies with annual sales of up to R$ 30 million) closed 2008 with growth of 27% in the volume of credit extended over the previous year, with a portfolio of 455,000 active accountholders. Its market share rose from 14.3% in 2007 to15.2% in 2008.

This performance is due to a number of activities, added to the strong presence of Banco Real in the segment, which emphasizes differentiated service. The growth in assets, the year's highlight, was driven by the working capital campaign for the 13th salary, which increased by R$ 1 billion for Santander and R$ 3.5 billion for Real, and was supported by a media investment to publicize the two banks' program.

Another highlight was the introduction of the Confidence Index for Small and Medium-Sized Businessmen (IC – PMN) in partnership with Ibmec. The index identifies the expectations of owners of small and medium-sized businesses with regard to the performance of Brazil's economy, to their field of operation and their companies.

In addition to this innovation, other notable activities during the year were the KitEmpresas, developed in conjunction with the International Finance Corporation (IFC) and IBM, designed to support entrepreneurship through the supply of content for new business development; Supertec, in partnership with Telefonica and Microsoft, to provide technological products to modernize and facilitate everyday operations in small and medium-sized firms; Supercash, software for cash management; and Supergestão, designed to help improve business management, developed in partnership with Totys.

All of these efforts give the business area the credentials to continue growing at 2009 – although, as expected by the market, at a slower pace than in 2008. Its goal is to double the customer base in three years.

Government and Institutions

This segment is structured to serve companies and entities of federal, state and municipal governments, as well as private organizations with annual sales over R$ 20 million, particularly in the health segment.

In the Government area, there was consolidation of partnerships with municipal agencies, mainly because of elections, leading to the establishment of good relationships with new managers that were based on the Grupo Santander Brasil's experience and distinguishing characteristics. In Institutions, it reinforced the partnerships with federations and associations and the most important sectors of the domestic economy – especially health. One of the important differentials of this activity is that it includes the entire value chain, comprising the supply of financial products and services to companies, directed both to businesses – such as hospitals and health-care providers – as well as individuals, such as doctors, employees and suppliers of these entities.

Both areas in this segment registered gains as a result of the merger with Banco Real. In Government, a significant presence of Santander in municipal governments was complemented by the penetration by Real among public employees and the Armed Forces. In territorial terms, the merger also made it possible for the Group to increase its activity in the states of Pernambuco and Paraíba.

The segment's teams and the clients participated in the final two *Caminhos e Desafios* events of the year, a module of the *Espaço Real de Práticas em Sustentabilidade*. In addition to reinforcing the commitment of the Group through dissemination of sustainability concepts, the event leads to the identification of opportunities for promoting engagement with public entities and the offer of sustainable products and solutions.

With a unique model in the market, Santander Universities contributes to promoting integration of the chain of value in higher education in Brazil

1


2

Agribusiness

During the year, the area's total asset volume was R$ 5.9 billion, which put the Organization in third place on the list of Brazilian private institutions, representing 12.5% of the agribusiness credit market. With strong presence in the South and Southeast regions, clients in the segment have a specialized infrastructure at their disposal.

In 2008, agricultural production in Brazil recorded 7% growth in the principal commodities (grains, meats, sugarcane and coffee) in the GDP of the sector. Exports exceeded US$ 69 billion, a record volume, with an increase of 24% compared to 2007. In this context, Santander was outstanding due to a strategy that is well positioned to meet the demands of producers with differentiated products. Examples were the introduction of Agricultural Insurance as a risk mitigator, which led to an increase in income and a reduction in the exposure to credit risks, and Agribusiness Letters of Credit (LCA), the first product covering liabilities for the segment.

The Group closed the year as the largest private bank to repass the Funds for the Protection of Coffee Growing Activity (Funcafé) to producers, cooperatives and businesses in the sector. In 2009, the area anticipates a scenario favorable to the Brazilian sector, with a forecast of an increase in worldwide demand for agricultural products and biofuels. Given this scenario, among the goals that have been set are the conclusion of implementation of a climate and market risk mitigation policy and the expansion of relationship activities with clients and companies that are active in the agribusiness chain of production.

Universities

The Santander Universities program is an area directed to strengthening relationships with institutions of higher learning, through academic support and the development of products and services exclusively for this public. In Brazil, it has a unique model in the market that brings together specialized and dedicated teams to meet the needs of universities, as well as the different stakeholders involved.

The structure of Santander Universities involves all the actors in the chain of value made up of institutions of higher learning. With wide ranging coverage, it offers integrated solutions in the academic, financial and administrative areas with segmented relationship management in federal, state and private universities.

This model, which promotes the integration of the higher education value chain in Brazil, was strengthened with the integration of the Santander and Real banks. With 730 service centers in Brazilian universities, one of the highlights of the year was the development of a program for the training and selection of teams that will staff these service centers. In this way the Organization can guarantee specialized and distinctive services in the academic environment, with an understanding of the issues and the day-to-day activities of the institutions and the stakeholders with which they relate.

In 2008, Santander Universities had a total of more than 270 institutions of higher learning enrolled in partnerships, with a total of 597,000 customers, 23% greater than the previous year. To bring the local projects in line with the global outlines of the program, Santander Universities has a Council made up of its vice president for Brazil, the director-general of Universia and the advisor to the worldwide president of the Grupo Santander and member of the Universia Council in Latin America

The Programs and Projects are divided into five strategic areas: Products and Communication, Management of University Points of Sale, Management of Agreements, Relationship Management and Management and Controls. Among the highlights for the period was the strengthening of the network of institutions in the University Credit Card Program. In Brazil, 10 universities are enrolled, part of the worldwide total of 190 institutions of higher learning. The credit card combines various functionalities, offering students and employees of Brazilian universities the possibility of access to academic and financial services that range from identification and access to the campus to various kinds of payments inside and outside of academic institutions. *(More information about Universidades is available in the chapter on Social and Cultural Investment, on page 56 of this Report).*

Incorporated by the Group, RealMicrocrédito is active in encouraging entrepreneurship in low-income communities

Microcredit

Real Microcrédito customer profile (by type of activity)	Customers	Portfolio Volume (R$ '000)
Food and Beverages [1]	16,221	17,236
Textiles [2]	27,802	30,290
Service and Sales [3]	4,123	4,523
Products for Consumption [4]	5,966	6,710
Health and Beauty [5]	9,243	9,545
Education [6]	190	232
Others [7]	19,235	20,279
Total	**82,780**	**88,815**

The data reported includes active operations of microcredit in December 2008.

[1] Bars, grocery stores, bakeries, luncheonettes, candy stores, butcher shops, fish markets, etc.

[2] Made up of shops for clothing and shoes, used clothing, shoe repair stores, seamstresses and tailors, weavers etc.

[3] Garages, body shops, paint stores, hardware stores, lumber shops, graphic artists, legal assistance, video stores, etc.

[4] Sales of diverse products, bazaars, handicrafts, stationary stores, etc.

[5] Beauty salons, hairdressers, cosmetics stores, manicures, pedicures, etc.

[6] Schools, pre-schools, nurseries, bookstores etc.

[7] Other unclassified businesses, real estate brokers, pet shops, flower shops, packaging stores, photo developers, etc.

Microcredit

With the incorporation of Banco Real, the Grupo Santander Brasil came to hold 19% of the domestic market for microcredit. RealMicrocrédito is today the second-largest company in this segment in Brazil. Created to facilitate access to credit, in order to promote entrepreneurship in low-income communities, the area finished closed 2008 with 82,800 customers, an increase of 55% over the previous fiscal year. In the period, it granted more than a 135,000 loans, representing turnover of R$ 200 million. In Brazil, expansion in this sector was 43% Y-o-Y.

The principal innovation in the business segment was the introduction of Village Banking, a credit facility for groups of 15-30 persons residing in isolated communities. The distinguishing characteristic of this product is to promote a solidarity guarantee, a mechanism through which the guarantors are residents in the same committee as the individual receiving the loan.

Innovations like these improve sustainable development in the communities and have led the area to forecast 25% growth in its 2009 client portfolio. According to micro-finance specialists, each micro loan contracted by one person provides direct benefits for four other individuals.

Aymoré Financiamentos' distinguishing characteristics include fast credit approval, automated processing and competitive rates

Aymoré

Aymoré Financiamentos (Aymoré Financing) was created in 1957, subsequently acquired by Banco Holandês Unido in 1963. Today it is part of the Grupo Santander Brasil, specializing in providing direct or store-based consumer financing for goods and services. There are 6,000 active stores and more than 3,000 employees working in 170 branches throughout Brazil. The company has a 16.4%* share of the Brazilian automobile financing market – a segment that represents 90% of its portfolio.

In operation for more than 45 years, Aymoré Financiamentos is recognized for its relationships, tradition and pioneering efforts in the segment in which it operates, as well as for the speed in approving credit, the automation of its processes and its competitive rates – differentials that support its principal businesses:

- Financing for the purchase of new and used automobiles, trucks and motorcycles;
- Financing for the purchase of automobiles between private parties;
- Financing of goods and services: tourism, data processing, home office equipment, hospital and dental equipment, nautical equipment, auto parts and services and sustainable products, among others;
- Automobile, motorcycle, real estate and truck consortia; and
- Webmotors (www.webmotors.com.br), the leading Internet automobile portal and the largest online classified service for vehicles in Brazil.

In addition, Aymoré has a series of partnerships with well-known companies, among them Renault/Nissan – RCI, Peugeot/Citroen – Banco PSA, HPFS – Smart Finance, Dabi Atlante, Yamaha Náutica, Dellano/Favorita, SCA, Florense, Scania, Komatsu, Grupo Todeschini and Artefacto.

Under the new structure, notable actions during the first half of the year included the sale of credit cards to its end customers and the creation of a legal financial enterprise belonging to Santander — Aymoré Crédito, Financiamento e Investimento (ACFI). At the same time, Olé, Banco Santander's dedicated financing area, also was successful in launching a payment system for shop owners via the Internet and in offering a nationwide leasing product.

The second half was marked by the conclusion of the integration between Aymoré and Olé, that together the closed 2008 with a portfolio totaling R$ 25 billion, 15% higher than the previous year.

Committed to the idea of sustainable development, the company also supports the Environmental Revitalization Program started by the Universidade Estadual Paulista (UNESP) and the Instituto Socioambiental (ISA), an institute devoted to forest recovery in the Vale do Ribeira region. Aymoré disseminates information about the program and encourages shop owners and customers to join and donate R$ 5 from every financing contract. The company then provides a matching donation.

The company has set a number of objectives for 2009, including the adoption of a new model for segmentation and proposals of interest to clients that function as intermediaries; the unification of human resource policies and the tools for working in the area; the introduction of improvements in credit analysis, billing and pricing; and the continuation and increase and joint activities between Aymoré and the Bank.

* This calculation does not include data from partnerships.

Business performance

Companies

The Companies unit is designed to meet the needs of domestic and multinational businesses and is organized to provide financial services to clients in two large economic segments:

- Corporate Segment – organized with high-level professionals to provide service to large economic groups that need specialized products and services with high value-added;
- Business Segment – dedicated to providing services to medium-sized domestic and international companies, with annual sales of more than R$ 30 million, this organization employs a group of professionals who have a fundamental understanding of the needs of the segment and provides differentiated services to clients of the Grupo Santander.

As part of its business strategy, Companies has a group of specialists in sales of products to deal directly with clients that need differentiated services in foreign trade, cash management, structured assets, rural credit and civil construction.

With a strategy designed and developed specifically to meet its target market, in 2008 the Companies Unit, even in a business environment impacted by the effects of the international economic crisis, increased its volume of credit by 35% and its revenues from providing services by 25% over the previous year. To achieve this performance it was essential to have the gains from synergies and complementarity that resulted from the merger with Banco Real, as well as the sales campaigns and products introduced over the year.

Taking advantage of the increased presence of the Grupo Santander in various areas of the country resulting from the integration of the Santander and Real banks, the Unit, in conjunction with other integrated areas, combined the principal processes for the management of sales and products, such as prices and limits, which have now been translated into important gains in efficiency and productivity. In addition it has been consolidating its services model in a consistent fashion.

To complement its development strategy while seeking motivational factors to boost growth and market share and business synergies with the Retail and SGB&M segments throughout 2008, the Companies Unit developed three incentive campaigns for the sale of Santander Global Connect – SGC products, payroll and cash management. These campaigns resulted in the addition of more than 180,000 current accounts for the year, in addition to a significant increase in the sale of products for dealing with derivatives, coillections and payments to suppliers.

The Companies Unit's commercial strategy was supplemented in 2008 with the creation of New Business Cells, whose function was the creation of relationships with clients from other areas of the Group throughout Brazil. To this was added the introduction of two products – an innovative product in the derivatives family and another for real-denominated assets that expands the range of services to clients.

In addition, the Unit made use of efficient management tools, adopted criteria and routines for monitoring and control of expenses, leading to productivity gains and cost reductions that have greatly contributed to the meeting of its goals.

Wholesale complies with the Group's worldwide customer service standards, being part of a successful model

Santander Global Banking & Markets (SGB&M)

The impact of the worldwide economic crisis and the demands imposed by the merger with Banco Real resulted in a redesign of the structural operation of Santander Global Banking & Markets in 2008. The business area, serving large local and multinational companies, became more selective in granting credit and extending deadlines and sought greater integration with the retail segment – a trend that should strengthen over the coming years. The SGB&M complies with the worldwide standards of the Group regarding customer services, as part of a successful model used in all units and that includes representatives to offer advice on the conduct of businesses.

The shift to integrated operations reflects, in part, the best features of each of the two banks: a concern with sustainable development from Real and innovation, agility and cutting-edge technology from Santander. The complementarity was seen primarily in the discipline used in the management and control of risks – especially in the supply of products – and the strength of the Organization, one of the banks that has demonstrated solid performance in confronting the effects of the crisis – so much so that in 2008, SGB&M received the title of Best Bank from Euromoney magazine, as well as Best Bank in Project Finance in Latin America.

Based on these achievements, the unit intends to concentrate its efforts in 2009 on consolidation and integration of the two institutions' teams – currently receiving training in technology and sustainability – and in the demonstration to the public of the gains added to the businesses due to the strength of the global structure. In this way, it aspires to assume the leadership in the sector quickly and position itself as the best wholesale bank in Brazil, supported by its vigor and the opportunities emerging through the current scenario.

Corporate & Investment Banking – C&IB

The business unit operates with large corporate customers of the Grupo Santander by making structured, asset-based loans. It is a leader in the market in mergers and acquisitions, and in the structuring of operations for issuing debt securities. It was very successful in 2008, when it participated in the most important operations in the market, helping SGB&M to consolidate its position as a national leader in the principal transactions of the sector.

The active management efforts of C&IB and of Santander and Real banks to identify the needs of the market, using them to design its sector-based teams for providing customer services, contributed heavily to this excellent performance. They act in partnership with experts in the market segments, directed at: construction, infrastructure, agribusiness, retail, services, telecommunications, energy, metals and mining, the financial sector and industry in general.

The process of integration of the two banks made it possible to greatly improve the teams. They completed an ambitious planning exercise for the year that included visits to all of the customers in their portfolio, resulting in gains in quality of service, in product innovation and in speed in processing.

With the same intent, customers receive material with information about the Organization's ability to provide service for global and local businesses and their principal deals by sector. The intention is to make them aware of the effectiveness of the sectorial strategy of C&IB in helping make Grupo Santander Brasil the best bank in Brazil. The objective includes the consolidation of leadership in the investment banking market as well as other targets to be met in 2009: obtaining greater synergy with the teams from C&IB in other countries that could provide clients with new expansion opportunities and capital gains; the strengthening of business already underway in Brazil and overseas and, consequently, achieving closer partnerships in large projects for clients.
(See tombstones on page 35.)

Regional Teams

With a portfolio composed of 900 clients served by regional teams, the area is focused on Brazilian and multinational companies with annual sales between R$ 150 million-R$ 1 billion. Its structure, which in 2008 was concentrated in Banco Real, includes five regional Superintendents and 12 offices installed in the principal cities of the South, Southeast, Northeast and Center-West Regions of the country. In addition, it has a Real Estate unit, staffed by professionals especially dedicated to the service of businesses and economic groups in the fields of construction and real estate development.

Business performance

In 2008, this business area underwent significant changes. Revenues rose 32% in comparison to the previous year, totaling R$ 636 million. The asset portfolio also increased, by 50%, to R$ 11 billion. The results from capital market operations totaled R$ 44 million and, in addition, four M&A operations earned R$ 12 million. The main highlight, however, was mortgage operations, with an increase of 120% in revenues over 2007 (a volume of R$ 109 million) and 94% in assets, which now total R$ 3.1 billion.

The performance of the area was also marked during the year by synergies with other business segments of the Group. Essential for this effort was: winning of new Individual accounts through payroll service agreements and PABs; re-passing of individual mortgage financing and the insertion of clauses and conditions and a Business Plan for Real Estate customers; and attracting clients for Private Banking and for the Corporate Card and Travel Card products.

With a focus on sustainability, more than 30 operations, including financing for the construction of wind energy farms, biodiesel plants and the Real Sustainable Projects were developed.

In 2009, the area will prepare a new model for serving corporate customers, based on the merger of the Santander and Real banks, called Corporate. The segment will be designed initially to provide services to companies with sales over R$ 250 million in various sectors of the economy. But the approach based on client satisfaction, differentiated services and the offer of a wide range of products and services will be maintained.

Global Transaction Banking

Its solid and strong presence in the market was essential in helping the Grupo Santander Brasil stand out as one of the major sources of liquidity for the financial system during the period of the worsening international financial crisis.

The Group provided a total of more than R$ 6 billion through its acquisitions of portfolios and inter-bank operations (CDI) to the small and medium-sized banks. Thus, at the end of 2008, the SGB&M loan portfolio grew 49% in comparison with the previous year.

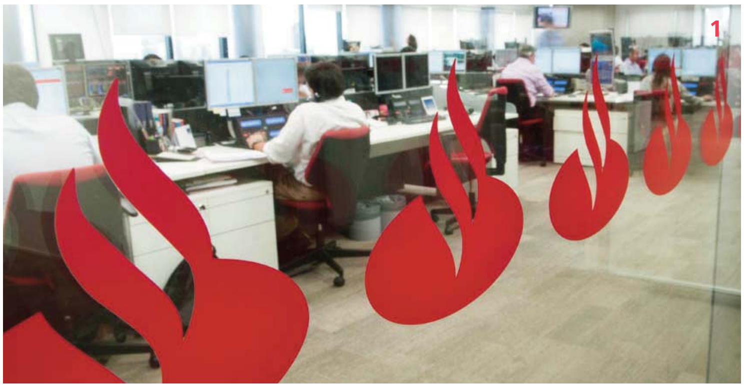
In addition, through local cash management services, the Organization increased its share of the inter-bank payments segment from 9.5% to 11%. This meant that the Grupo Santander became a significant presence in the collections and payments market because of its new scale of business. In its tax collection activities, it reported volume growth of 10.5%. In collection products, which are still booked separately, Banco Real reported an increase of 3% in net revenues and 4% in services revenues, while Banco Santander reported an increase of 103% in the volume of securities liquidated and 33% in total net revenues, also in comparison with the previous year. In collections, the Grupo Santander posted an increase of 10.5% in the quantity of taxes collected.

Trade financing operations suffered from the effects of changes that took place in the world economy beginning in the fourth quarter of the year, when there was a worsening of the external crisis. However, even during the depths of the crisis it continued to be active in the international trade market and, at the end of the year, announced a new line of credit of R$ 2 billion for these operations.

This excellent performance was a result of a combination of various factors. The acquisition of Banco Real added business potential and stressed the common characteristics that unite the two organizations, such as the stability of the relationships with large domestic economic groups, the strength of the balance sheet and the effective management of treasury operations. During the process of integration of the two institutions, the teams dedicated themselves to identifying the strengths of each organization related to products, processes and systems. Thus the Group was capable of minimizing the impact on customers and continued to be competitive by offering better solutions in lending, trade, and cash management services. One of the outstanding advantages among these is the ability to use the branch banking network of the Grupo Santander in various countries where the customer has operations; optimizing the management of receivables and payments in foreign currencies; the approval of batch payments through single Internet banking; settlement of processes through supplier return-file; and the use of customer services in Brazil.

These facilities are in addition to other innovations, such as the reduction in the time required to open a business checking account, the adaptation to the new tariff regulations, the reformatting of the electronic account summaries, now issued in Portugues, English and Spanish versions; the changes in the historical data for checking accounts, in order to make them easier to understand, and the creation of the digital account summary, among others.

In 2008, the Grupo Santander Brasil was one of the largest providers of liquidity to the international financial system



Rates

The business segment, which develops and distributes treasury products (foreign-exchange, fixed income, loans and onshore and offshore derivatives), finished 2008 with growth of 40% over the previous year. During the first nine months the rate of growth was more accentuated (over 50%), consistent with the pace of the market. During the fourth quarter, however, when the worldwide economic crisis impacted most heavily on the economy, volumes continued high, although the profile of products and time periods contracted or changed.

Because of the strong connection between business and market volatility, the area hedged the risk variables for operations with customers in each sector of activity. The increasing degree of uncertainty with regard to the changes in these variables also demanded the more intensive adoption of risk management policies adapted to the different needs of the financial and economic agents.

In this scenario, the Grupo Santander Brasil was an outstanding presence in the market by virtue of the integration of the treasury teams of the Real and Santander banks. Concluded during the second semester, this strengthened the business segment as it was able to identify complementary products and services directed to each customer segment.

Credit Markets

As a result of the world economic crisis, the international Debt Capital Markets (DCM) suffered a reduction in financial volume (-11.7%) as well as in the volume of operations (-34.4%) compared to the previous year. There was a migration to cash and more conservative assets, and the external market for debt for Brazilian issuers practically closed. Because of offshore restrictions on credit, the issuers turned to the domestic market. Nevertheless, this did not have a strong impact on the capital markets, since about 70% of the issues during the year (about R$ 22.5 billion) were short-term promissory notes. Therefore, as a result of the aversion to risk, the cost of funding for companies increased in local and international markets.

In this scenario, although the Grupo Santander Brasil had reduced consolidated market share for the two banks that had merged (Santander and Real) to 15.3%, it remained in first place in the sub-rankings of corporate bonds in the non-financial sector and corporate bonds in the private sector, according to the Ranking Value of External Funding of 2008. The complementarity of the DCM teams of the two institutions resulted in a series of gains for the business segment. This was the result of the sum of Santander's competitiveness and the local market, and the securitization and strong presence of Real in the external market. In addition, the speed with which the two teams were integrated allowed the institution to take advantage of new opportunities in the limited scenario for the capital markets, such as operations in bonds from Daycoval, Fibra, Sofisa and Gerdau banks.

The highlight, however, was the bond issue operation for Braskem (US$ 500 million, over 10 years), selected as the Operation of the Year in its category by *Latin Finance* magazine. In the local market, the investment fund in credit accounts (FIDC) structured for Braskem (Chemical III FIDC), in the amount of R$ 324 million, also stood out. It was one of the first FIDCs with mezzanine and senior quotas to be distributed widely to institutional investors. Santander acted as lead bank for the operation.

Another front for activity in Credit Markets for the Grupo Santander Brasil was to serve as adviser for the auction and financing in Project Finance. Here the Group reported strong growth for the year, because of the numbers and size of the project. Included in these projects were packages for the Accelerated Growth Program (PAC) and auctions for new Concessions.

In this context the merger of Santander and Real made it possible for the Organization to consolidate its position as the principal operator in Brazil in consulting and financial structuring. The long experience of Santander in the generation and transmission of energy and logistics, went together well with Real's experience in renewable energy as well as the oil and gas sector. Thus, the Group was able to assume responsibility for the structuring of a financing package of R$ 8.7 billion for the AHE Santo Antonio, on the Rio Madeira, of which R$ 6.2 billion will be funded by the National Development Bank (BNDES); to provide consultancy to Odebrecht for the auction of the concession of the Dom Pedro I Highway, with an investment of R$ 1.4 billion in six years and grant of the R$ 1.3 billion; and to lead the financial structuring for funding by the Inter-American Development Bank (BID) for the PPP Metro Line 4 with an estimated investment of R$ 1 billion.

Business performance

The efficient integration of the teams allowed the Group to take advantage of new business opportunities in the capital market

Due to this and other operations, Dealogic ranked Santander the top company in financial structuring (Mandated Lead Arranger – MLAS) in the Project Finance category for Latin America, the Caribbean and Brazil. The Bank also received the Deal of the Year Award from Euromoney for its loan structuring project for ViaQuatro – part of the São Paulo Subway Line 4 construction work.

With this performance, the Credit Markets area made optimistic projections for 2009. Although the expectation for DCM emphasizes continued restrictions in the corporate debt market, Santander's solid position will serve as an important ally for increasing its market share. In the Project Finance area, the Group is also well positioned to participate in infrastructure project and auction financing expected for the areas of energy (generation and transmission) and logistics (ports, highways and passenger trains). *(See tombstones on page 35.)*

Equity Investments

Created on November 2008, when it began to operate with an investment portfolio of R$ 620 million, the business area is responsible for the Grupo Santander Brasil's investments in companies and aims to boost the growth of these institutions that make up the organization's customer base. It is prepared to invest in different classes of assets, from quasi-equity and private equity to publicly-traded companies, so as to increase the potential ROI and offer a solid funding alternative for the companies to which such resources are directed.

Ever since it was founded, the business segment has dedicated its activities to internal structuring – through the definition of investment processes and vehicles and team training – and to monitoring its portfolio investments and analyzing new businesses. Such activities benefited from the experience of professionals from different areas of the Group. The main operation in 2008 was the partial sale of Santander's investment in *WTorre Empreendimentos*. This operation represented disinvestment of 48.4% of the initial Equity Investments portfolio and, with the swap, Santander came to hold an 8.54% stake in the company.

In a scenario marked by low capital market fund liquidity, the area now occupies a privileged position, allowing it to make optimistic projections for 2009: in addition to the resources available for investment, is has the flexibility to apply these in different asset classes.

Equities

Despite the adverse stock market scenario in 2008, the Grupo Santander Brasil Equities area focused on institutional customers, adapted its operations to the new market conditions, reduced its costs and closed the period with results similar to those obtained in 2007.

The merger with Banco Real went smoothly and added four more professionals to the team. The major innovation for the period was the Direct Market Access (DMA) product, which allows clients to access stock markets electronically. The tool – whose results will be measured in 2010 – promotes the connection between customers, markets and the different share trading platforms of the Grupo Santander in São Paulo, New York, Madrid, Santiago and Mexico, among others. It reinforces the segment to face the challenges associated with the economic recovery between 2003 and 2007 and interrupted by the international financial crisis.

An important aspect of the Custody business is the significant revenue growth (45% compared to 2007), with special emphasis on the services related to share rentals for domestic institutional investors (the only Brazilian custodian with this distinguishing characteristic), for the strong growth of non-resident investor stakes, in services related to the Trustee activity, and Custody and Controller activities on behalf of Private Equity companies.

Setembro 2008

edp energias do brasil

Permuta de 100% das ações da Enersul pela totalidade da participação do Grupo Rede em Rede Lajeado e Investco

R$ 1.249.434.850

Assessor Financeiro da Energias do Brasil

Santander GLOBAL BANKING & MARKETS

Abril 2008

SKANSKA

Venda da Ponte de Pedra Energética S.A. para Tractebel Energia

R$ 894.682.000

Assessor Financeiro do Vendedor

Santander GLOBAL BANKING & MARKETS

Maio 2008

PETROBRAS

Integração na Braskem das participações detidas pela Petrobras e Petroquisa na Copesul, Ipiranga Petroquímica, Ipiranga Química e Petroquímica Paulínia

R$ 2.218.292.000

Assessor Financeiro da Petrobras

Santander GLOBAL BANKING & MARKETS

Novembro 2008

PARANAPANEMA

Venda da Mineração Taboca S.A. para a Serra da Madeira Participações Ltda., subsidiária da Minsur S.A.

R$ 850.000.000

Assessor Financeiro do Vendedor

Santander GLOBAL BANKING & MARKETS

Abril 2008

ArcelorMittal

Oferta Pública de Aquisição de todas as Ações Ordinárias e Preferenciais de Emissão da

ArcelorMittal Inox Brasil S.A.

R$ 2.839.082.668

Intermediário Financeiro

Santander GLOBAL BANKING & MARKETS

Maio 2008

COSAN Ltd.

Oferta Pública Voluntária de Permuta por Ações de Emissão da COSAN

R$ 401.220.864

Joint Lead Arranger

Santander GLOBAL BANKING & MARKETS

Março 2008

MPX

Aquisição de duas opções de compra de direitos de mineração na Colômbia

US$ 18.000.000

Assessor Financeiro do Comprador

Santander GLOBAL BANKING & MARKETS

Junho 2008

NOVA petroquímica

Venda de participação de 24,3% na Riopol para Unipar e BNDESPar em decorrência do exercício da opção de compra

R$ 282.978.386

Assessor Financeiro do Vendedor

Santander GLOBAL BANKING & MARKETS

Setembro 2008

MPE

Venda da Carroll's Foods do Brasil S.A.

R$ 80.000.000

Assessor Financeiro do Vendedor

Santander GLOBAL BANKING & MARKETS

Janeiro 2008

PETROBRAS

Aquisição de participação de 40,0% na Petrobras Energia Peru S.A.

US$ 423.300.000

Assessor Financeiro do Comprador

Santander GLOBAL BANKING & MARKETS

Março 2008

MARFRIG GROUP

Aquisição da divisão de frangos da Predileto Alimentos S.A.

US$ 53.000.000

Assessor Financeiro do Comprador

BANCO REAL GRUPO SANTANDER

Julho 2008

BG GROUP

Venda de 100% da Iqara Energy Services para Geribá Investimentos

Confidencial

Assessor Financeiro do Vendedor

BANCO REAL GRUPO SANTANDER

Junho 2008

PETRÓLEO BRASILEIRO S.A. PETROBRAS

Assessor financeiro na realização da OPA mandatória de *Tag Along* pela totalidade de ações preferenciais e ordinárias do *free float* da Suzano Petroquímica S.A.

R$ 566.149.390

Assessor Financeiro da Petrobras

BANCO REAL GRUPO SANTANDER

Abril 2008

PETROFLEX Braskem UNIPAR

Venda de 69,68% das ações da Petroflex Ind. e Comércio S.A. para a Lanxess Deutschland GmbH

R$ 526.680.000

Assessor Financeiro dos Vendedores

BANCO REAL GRUPO SANTANDER

Março 2008

DIRECIONAL engenharia

Venda de 25% da Direcional Engenharia S.A. para Tarpon Real Estate, LLC

R$ 250.000.000

Assessor Financeiro do Vendedor

BANCO REAL GRUPO SANTANDER

Junho 2008

PETRÓLEO BRASILEIRO S.A. PETROBRAS

Criação da Quattor, resultante da consolidação da Suzano Petroquímica, RioPol, PQU, Polietilenos União e Unipar Div. Química

US$ 3.806.000.000

Assessor Financeiro da Petrobras

BANCO REAL GRUPO SANTANDER

Janeiro 2008

GP Investments

Oferta Pública de Aquisição do *float* total de ações ordinárias da Magnesita S.A.

R$ 288.000.000

Assessor Financeiro do Comprador

BANCO REAL GRUPO SANTANDER

Janeiro 2008

SOMA

Aquisição de 100% do Top Service e 100% do People Domus e posterior venda da entidade combinada para a GP Investments

US$ 55.900.000

Assessor Financeiro do Comprador

BANCO REAL GRUPO SANTANDER

Novembro 2008

MARFRIG GROUP

Aquisição de negócios do Grupo OSI no Brasil e em diversos países da Europa

US$ 680.000.000

Assessor Financeiro do Comprador

BANCO REAL GRUPO SANTANDER

Janeiro 2008

PETRÓLEO BRASILEIRO S.A. PETROBRAS

Venda de 24,3% da Rio Polímeros S.A. para o BNDES e para a Unipar

R$ 647.420.000

Assessor Financeiro do Vendedor

BANCO REAL GRUPO SANTANDER

Setembro 2008

Athos FARMA

FIDC

R$ 190.000.000

Coordenador Líder

Santander GLOBAL BANKING & MARKETS

Setembro 2008

eliane

Notas Promissórias

R$ 12.000.000

Coordenador Líder

Santander GLOBAL BANKING & MARKETS

Agosto 2008

JBS

Consent Solicitation

R$ 387.000.000

Solicitation Agent

Santander GLOBAL BANKING & MARKETS

Agosto 2008

oi

Notas Promissórias

R$ 3.600.000.000

Coordenador

Santander GLOBAL BANKING & MARKETS

Julho 2008

coelce

Notas Promissórias

R$ 245.000.000

Coordenador Líder

Santander GLOBAL BANKING & MARKETS

Junho 2008

Banco SOFISA

7.250% Notes due 2011

US$ 125.000.000

Joint Bookrunner

Santander GLOBAL BANKING & MARKETS

Junho 2008

BANCO FIBRA

7.000% Notes due 2011

US$ 150.000.000

Joint Bookrunner

Santander GLOBAL BANKING & MARKETS

Junho 2008

BancoDaycoval

6.875% Notes due 2010

US$ 125.000.000

Joint Bookrunner

Santander GLOBAL BANKING & MARKETS

Maio 2008

Terna Participações

Notas Promissórias

R$ 570.000.000

Cordenador

Santander GLOBAL BANKING & MARKETS

Maio 2008

Grupo JulioSimões

Notas Promissórias

R$ 135.000.000

Cordenador Líder

Santander GLOBAL BANKING & MARKETS

Maio 2008

Santander

MT – 100

US$ 190.000.000

Joint Bookrunner

Santander GLOBAL BANKING & MARKETS

Março 2008

CHEMICAL

Quotas Seniores

R$ 300.000.000

Quotas Subordinadas Mezzanino FIDC

R$ 24.000.000

Braskem

Coordenador Líder

Santander GLOBAL BANKING & MARKETS

Fevereiro 2008

FACULDADES ANHANGUERA

Notas Promissórias

R$ 130.000.000

Coordenador Líder

Santander GLOBAL BANKING & MARKETS

August 2008

oi

Telemar Norte Leste SA

R$ 3.600.000.000

Promissory Notes

Joint Lead Arranger

Santander GLOBAL BANKING & MARKETS

March 2008

USIMINAS

International Commercial Steel

US$ 1.300.000.000

Acquisition Finance

Mandated Lead Arranger

Santander GLOBAL BANKING & MARKETS

June 2008

BancoBBM

Banco BBM SA

US$ 150.000.000

IFC B loan

Joint Lead Arranger / Bookrunner

Santander GLOBAL BANKING & MARKETS

November 2008
Latapack Ball Embalagens
US$ 135.000.000
IFC A/B loan
Sole Arranger
Santander GLOBAL BANKING & MARKETS

November 2008
Via 4 SA (CCR)
US$ 309.181.000
IDB A/B loan
Joint Lead Arranger
Santander GLOBAL BANKING & MARKETS

October 2008
Braskem Inc.
US$ 725.000.000
Pre-export Loan
Joint Lead Arranger / Bookrunner
Santander GLOBAL BANKING & MARKETS

May 2008
Terna Participações SA
R$ 570.000.000
Promissory Notes
Joint Lead Arranger
Santander GLOBAL BANKING & MARKETS

2008
Atmosfera SA
R$ 113.451.885
Local Capital Loan
Sole Advisor / Joint Lead Arranger
Santander GLOBAL BANKING & MARKETS

August 2008
BICBANCO
US$ 90.000.000
IFC B loan
Joint Lead Arranger / Bookrunner
Santander GLOBAL BANKING & MARKETS

November 2008
Arcos Dorados B.V.
US$ 350.000.000
Acquisition Finance
Lead Arranger / Bookrunner
Santander GLOBAL BANKING & MARKETS

June 2008
Sabesp SA
US$ 250.000.000
IDB A/B loan
Joint Lead Arranger
Santander GLOBAL BANKING & MARKETS

July 2008
Banco Fibra SA
US$ 70.000.000
IFC B Loan
Joint Lead Arranger / Bookrunner
Santander GLOBAL BANKING & MARKETS

February 2008
Eliane SA
R$ 60.000.000
Promissory Notes
Sole Arranger
Santander GLOBAL BANKING & MARKETS

Junho 2008
Leilão de Concessões de Linhas de Transmissão LOTES J e L
Investimento Total Estimado
R$ 200.000.000
Assessor Financeiro Exclusivo
Santander GLOBAL BANKING & MARKETS

Fevereiro 2008
Leilão de Concessões Rodoviárias Federais Lote 1- BR-153
Investimento Total
R$ 715.528.143
Assessor Financeiro Exclusivo
Santander GLOBAL BANKING & MARKETS

Fevereiro 2008
Leilão de Concessões Rodoviárias Federais Lote 3- BR-393
Investimento Total
R$ 524.453.529
Assessor Financeiro Exclusivo
Santander GLOBAL BANKING & MARKETS

Julho 2008
Empréstimos às concessionárias rodoviárias Autovias, Centrovias e Intervias, controladas pela OHL Brasil
R$ 670.000.000
Estruturador
Santander GLOBAL BANKING & MARKETS

Junho 2008
"SantoAntônio"
Usina Hidrelétrica com capacidade instalada de 3.150MW
R$ 12.198.630.798
Assessor Financeiro - Coordenador
Santander GLOBAL BANKING & MARKETS

Abril 2008
Construção e operação de 459 Km de linhas de transmissão conectando os estados do Pará e Tocantins
US$ 401.000.000
Assessor Financeiro
BANCO REAL GRUPO SANTANDER

Julho 2008
Construção e operação de oficina de manutenção em Sepetiba – RJ para siderúrgica da Companhia Siderúrgica do Atlântico
EUR$ 82.000.000
Assessor Financeiro
BANCO REAL GRUPO SANTANDER

Novembro 2008
Financiamento da expansão do complexo Ayrton Senna em Curitiba vinculada à produção dos modelos Logan e Sandero
R$ 300.000.000
Assessor Financeiro
BANCO REAL GRUPO SANTANDER

Maio 2008
Construção da Usina Eólica Beberibe do Grupo Econergy, com capacidade instalada de 25,6 MW, localizada na cidade de Beberibe – CE
R$ 94.900.819
Assessor Financeiro
BANCO REAL GRUPO SANTANDER

May 2008
7.25% Notes due 2018
US$ 500,000,000
Joint Bookrunner
Brazil
BANCO REAL GRUPO SANTANDER

May 2008
6.87% Notes due 2017
US$ 500,000,000
Joint Bookrunner
Brazil
BANCO REAL GRUPO SANTANDER

In 2008, the Santander Asset Management area become the fourth largest fund manager in Brazil

Funds Under Management

In the Funds Under Management area, Grupo Santander Brasil operates through the segments of Asset Management, the investment fund administrator, and Private Banking, the fund manager for individuals with equity higher than R$ 3 million.

Asset Management

The Banco Santander Brasil Asset Management area was founded in 1998 to manage third-party funds. In 2008, it became the fourth largest fund manager in Brazil and the country's largest global Asset Management bank, with a portfolio totaling R$93.5 billion and a market share of 7.8% in the fund industry.

Recognized for its solid and efficient management of client funds – with a focus on risk control and management – the Group offers a wide range of products to give investors access to solutions tailored to meet their needs, always considering their profile, objectives and investment horizon.

The area operates in all segments, with a mix of innovative and sustainable products. In 2008, it signed the Principles for Responsible Investment (PRI), an initiative of the Secretary-General of the United Nations to orient the financial and capital market in the quest for sustainable development by incorporating social, environmental and corporate governance aspects when making investment-related decisions.

Banco Real Investments	2008
Asset Management	PL (thousand R$)
Fundo Ethical	199,756
Fundo Floresta Real	189,294
Asset Management	Quotaholders
Fundo Ethical	20,295
Fundo Floresta Real	3,238

In addition to being the largest protected capital fund manager in the Brazilian market, with products focused on preserving the invested capital, the Banco Real Asset Management area was elected the country's top fund manager in 2008 by the *Você S.A.* magazine and the Getúlio Vargas Foundation. Among the funds it offers the market are Floresta Real – which provides a financial return for carbon credits – and Ethical, directed at those who wish to invest in companies that adopt socio-environmentally responsible practices.

Private Banking

The Grupo Santander Brasil business area offers clients with high personal or family equity financial advisory and asset management services, including an extensive range of treasury, brokerage, private pension fund and credit card products and services, among others. The operations are conducted with transparency, ethics and secrecy – values that are amply disseminated.

As a reflex of the Banco Real merger with Santander, the Private Banking area began to manage more than R$ 23 billion in assets, representing a 21% growth compared to the R$ 19 billion recorded the previous year and making it one of the five largest in the segment in Brazil.

The merger of the two institutions also optimized the service platform for over 5,000 clients and expanded the offer of specific and differentiated products. During 2008, these included the protected capital funds and structured treasury products.

The area also faced certain challenges generated by the unfavorable economic situation – which led to the devaluation of the variable income portfolios – reinforcing its focus on fixed income products and intensifying its commercial operations. The Group plans to expand the Products area in 2009 to provide an even more specific and differentiated offer for the target public.

Santander also held a workshop on sustainable practices for some 100 Private Banking employees. Within this same context, its plans for 2009 include the implementation of programs to train multipliers for the segment, in addition to client-focused actions, such as workshops on Private Social Investments, training programs in sustainability directed at the children of clients and the publicity of the course "Sustainability in Practice: Solutions and Challenges," geared toward the dissemination of sustainable practices.

Risk management

The Credit and Market Risk Management Area is notable for integrating the operations of the business segments and senior management's high level of attention to this issue

The risk management model adopted by Grupo Santander Brasil emphasizes discipline, guaranteed by a global structure that benefits from an efficient and streamlined approach to all stages of the operations.

Credit and market risks

In 2008, the importance of effective risk management by financial institutions was put to the test.

Top quality risk management is part of the Grupo Santander's very DNA. Throughout its over 150-year history, Santander has learned to effectively combine cautious risk management with advanced techniques. Such a strategy proved decisive to obtaining consistent economic results that focused on creating value for shareholders, clients and society.

The main distinguishing characteristics for the Credit and Market Risk Management area include independence – both hierarchical and functional – as well as operations integrated with the business segments, in addition to senior management's high level of attention to risk management. In this way, the model offers the synergy required for obtaining top results in each market in which the Group operates by correctly identifying opportunities and securely conducting commercial activities.

Decision-making is backed by an Executive Risk Committee and by Credit Committees, which are structured by region and business area: Retail, Companies and Santander Global Banking & Markets (SGB&M). The Retail segment also receives the support of specific risk committees: Business, Governments and Institutions, Individuals and Specific Businesses.

Another key factor for the global model is its solid policies, which are applied based on the specific characteristics of each market. There are also differentials such as the Group's consolidated experience in securely managing funds with the greatest margin of return possible, the constant improvement of the teams involved and a modern technological base that uses tools to guarantee the area's efficiency. The Group also benefits from the use of tools and techniques designed to stay ahead of the market, such as internal ratings and scorings; economic capital as a homogeneous parameter of the assumed risk and base for evaluated past management efforts; Return on Risk-Adjusted Capital (RORAC); Value at Risk (VaR); and complementary Stress Testing of the risk and credit analyses. Santander also follows eight corporate principles:

- Risk function independence in relation to the business areas;
- Offer of effective and efficient service for the business, seeking interaction between managers and the risk area and always preserving the previous principle of independence. The area offers the support necessary for fulfilling commercial objectives without reducing the quality of the analysis by identifying business opportunities that create value;
- Executive capacity of the function, supported by knowledge and a strong relationship with the client and business manager, as well as the decisions made by the corresponding risk committees;
- Support for the Executive Board when defining the risk tolerance level based on the business strategy;
- Evaluation of the risk inherent to different activities based on the calculation of the Return on Risk-Adjusted Capital and creation of value for Group businesses;
- Global reach of the function, considering the specializations by risk type or customer segment;
- Committee-based decisions to ensure that several different points of view are considered and prevent individual opinions from prevailing and negatively affecting the result;
- Medium to low risk profile as an objective, reducing volatility and improving the predictability of investments. Several procedures and policies are put into practice to guarantee compliance with such principles. These include an emphasis on risk management as a way of anticipating possible problems; the diversification of the risk, limiting its concentration in terms of clients, groups, sectors, products or geographic areas; and the orientation to avoid exposure with companies whose ratings are considered unsatisfactory.

Highlights

The Grupo Santander Brasil Credit and Market Risk Management area was created with the infrastructure required to face the challenges generated both by localized scenarios – such as the one resulting from the Santander-Real merger – as well as international crises. In a market such as Brazil's, in which the largest part of the Group's results originate from credit products, the complementarity of policies and the tools adopted by the two institutions are crucial for maximizing the potential of opportunities in the midst of an unstable economic scenario marked by high volatility.

Risk management

Socio-Environmental risk

Socio-Environmental Risk Analysis	
Total estimated reports	5251
Reports – approved clients	5122
Reports – clients approved with exceptions	126
Reports – clients declined	3

Equator Principles

A voluntary instrument created by financial institutions, the Equator Principles establish the adoption of general socio-environmental management principles for project financing. Signatory of the document since 2002, Banco Real analyzed six projects based on these guidelines in 2008, five of which were approved with requirements and one of which was declined.

Projects analyzed by category			2008
	Approved	Approved with requirements	Declined
Category A	0	0	1
Category B	0	5	0
Category C	0	0	0

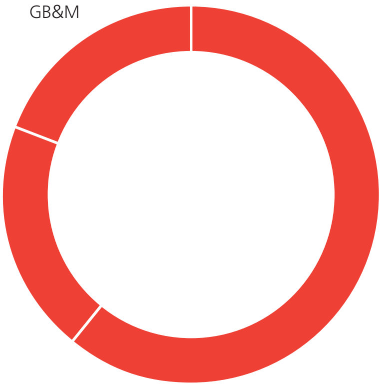
Category A – projects with a significant socio-environmental impact, irreversible and unprecedented
Category B – Projects with environmental impacts that are reversible and can be mitigated
Category C – projects with minimum socio-environmental impacts

Projects analyzed by category	2008
Corporate Finance	0
Project Finance	6
Others	0

Projects analyzed by value	2008
< US$ 50 million	0
> US$ 50 million and < US$ 250 million	3
> US$ 250 million and < US$ 500 million	2
> US$ 500 million and < US$ 1000 million	1
> US$ 1 billion	0

Projects analyzed by sector			2008
	Approved	Approved with requirements	Declined
Energy	0	4	1
Oil and Gas	0	0	0
Infrastructure	0	0	0
Mining and Metals	0	0	0
Industrial	0	1	0

Distribution in the credit portfolio



One of the advantages produced by the integration of the banks was the elaboration of a new socio-environmental risk practice to be applied to Grupo Santander Brasil operations starting in 2009. Directed at Corporate Customers, it evaluates the social and environmental performance of small, medium and large companies from sectors with potential socio-environmental risks to either approve or reject credit operations. In 2008, the Group issued 5,251 reports.

Another highlight in 2008 was the fact that Brazil was chosen to host one of the Grupo Santander's three analytical centers worldwide. Inaugurated in March, Santander Analytics Brasil began to serve those Latin American countries undergoing technological development and also coordinates the Group's statistical model management. With a prepared team consisting of distinguished professionals, the unit strengthens the bond between the Retail areas, facilitating the creation of effective, business-oriented models. The other two analytical centers are located in Spain and England.

The year 2008 also marked investments in process automation, database improvements, increased predictability and the reinforced training of the teams. For the Business segment, automation allowed the Group to increase the offer of pre-approved limits for a larger customer base, with assertive information and even more secure controls for managing guarantees in credit operations. The processes also contributed to new product innovations, and were based on an evaluation of all the risks inherent to the transactions. For Retail, controlling all the risks and opportunities involved in supplying credit allowed the Bank to offer products perfectly aligned to client needs.

Together with the Human Resources area, the Credit and Market Risk Management area also completed a full revision of the training processes at the Risk Training School, launched in 2007. The action involved the 1,200 professionals on the team during 27,813 hours of training.

Innovations in risk management per segment

In 2008, the Retail Risk Area operations were heavily focused on the management and allocation of Grupo Santander Brasil capital in segment-specific portfolios. The measures practiced in this sense include:

The Banco Real merger resulted in the structuring of a new socio-environmental risk policy for the Group

1

- Application of the "Client Vision," which standardizes admission policies for all of the rotating products offered (overdraft protection and credit cards) as well as payment plans by considering the customer's profile, allowing for the enhanced flexibility and management of the policies in force.
- Automation of the check cashing and debit authorization process through the automatic decision to release the funds based on the client's risk profile.
- Adoption of pre-approved conditions for the Business II segment customers, with decision authorities granted to the branches to facilitate the release of funds.
- Revision of the agribusiness portfolio to minimize risks and take advantage of opportunities for business growth.
- Preventive management of the Retail credit portfolios, with the revision of the same and adoption of measures that follow the economic scenario.
- Anticipation of the admission policy revision actions, aiming to guarantee improved assertiveness during the analyses of the public with a higher risk for default.
- Concentration of the Checking Accountholder Credit Card Decision Center at the Individuals Decision Center, with gains in synergy and business expertise.
- Adoption of new behavior score models for credit cards, allowing for the creation of pre-defined strategies based on customer behavior, income segmentation and risk appetite and guaranteeing the availability of a credit line with adequate pricing - Super Credit.
- Monthly sector-specific analyses with a focus on the Business segment.
- Definition and construction of a recovery business model for all segments and the definition of a systematic credit recovery platform founded on best market practices.

Furthermore, for the Aymoré Credit, Investment and Financing Company risk area, the Group adopted management strategies that included a new scoring model for granting credit, with variables for motorcycles and vehicles and additional credit recovery actions. The merger with Banco Santander ensured the Aymoré risk area gains in synergy through the exchange of information and incorporation of new risk management strategies.

In the SGB&M segment, the actions within the risk management sphere focused on reducing the impacts caused by the devaluation of the Brazilian real for companies that demonstrated an imbalance in their balance sheet position. These measures included:

- Establishment of revision programs and special monitoring for the most impacted sectors and clients.
- Reinforcement of the control processes and system.
- Re-assessment of the operations to adjust the Grupo Santander Brasil operation to the company's liquidity and cash flow situation.
- Revision of the portfolio, with the identification of opportunities and exploration of new business ventures with the clients not affected by the global financial crisis.

Types of Risk

Credit Risks – The organization of the risk function at Grupo Santander Brasil is specialized based on the typology of clients in such a way that it distinguishes the portfolio customers from the standardized clients during the risk management process.

Portfolio: Includes the major companies, which are distributed throughout different sectors of operation and evaluated individually at least once a year or whenever considered necessary. After identifying a rating that represents the possibility for fluctuation, the different committees discuss the decisions. For the Corporate, Global Banking & Markets (GB&M) and Funds Under Management segments, the Group performs the evaluation using a measurement system that identifies risks based on the economic capital segment.

Standard: This type concentrates the many clients with a low average debt per person in Retail products, such as receivables, overdraft protection, credit cards, personal loans and auto financing. The tools for this group allow managers to automatically identify each client's profile and his or her capacity to pay off the loans. The evaluations, which are performed by product portfolio, take place periodically.

Risk management

The Grupo Santander Brasil uses strategies and tools that allow it to evaluate, control and mitigate insolvency risks, with close follow-up and intensive advisory services for customers.

The highlight for the area in 2008 was the absorption of the new evaluation culture for the Individuals segment, which shifted its focus from the product to the client. Accordingly, the customer analysis process includes the entire range of credit products offered by the Group. To facilitate the supply of credit, the area also developed new statistical and decision-making tools.

Market Risks – The measurement, control and monitoring perimeter for the Market Risk area covers the operations that assume the equity risk, which results from the variation in risk factors - the type of interest, type of currency, variable income, raw material price and volatility, as well as the risk for the solvency and liquidity of the different products and markets in which the Group operates. Based on the risk, the activities are segmented into the following categories:

Negotiation Activities – Monitors market prices for financial service operations, purchases, sales and positioning in retail products and volatility.

Balance Sheet Management – The centralized management of Group assets and liabilities, which include capital management, liquidity risk and asset risk.

Using this system and considering the possible prolongation of the global financial crisis, the Grupo Santander Brasil uses strategies and tools that allow it to evaluate, control and mitigate the risks for insolvency, with careful follow-up and the intense advisory of clients.

Operating and Technological Risks and Business Continuity Management

The Grupo Santander Brasil invests in technology and the training of its teams to guarantee that all aspects involved in operating loss risks are foreseeable and can be mitigated. The synergy between the Operating, Business, Product and Technology Risk areas is a crucial part of the Bank's strategy for sustainable growth. An efficient technological platform and different tools that enhance the efficiency and security of the evaluations and business practices further strengthen this distinguishing characteristic.

Adopting, maintaining and disseminating the culture, politics and infrastructure necessary for the effective management and control of operating and technological risks is one of the competitive advantages offered by the Grupo Santander Brasil, which seeks always to ensure the effectiveness of the internal control system and the prevention, mitigation and reduction of events and losses due to operating and technological risks.

This concern is reflected in the Mission Statement of the Superintendency of Operating and Technological Risks:

"To be the area responsible for implementing and disseminating the culture, policies and infrastructure necessary for the compliance and commitment of all employees for the effective management and control of operating and technological risks as well as business continuity for the effectiveness of the internal control system, helping to fulfill the Grupo Santander Brasil's objectives and those of its stakeholders."

Organizational Structure

The processes developed and adopted by the Operational risk area seek to position and maintain the Grupo Santander Brasil among those financial institutions recognized as having the top management practices when it comes to managing such risks and their operations, thereby contributing to the achievement of strategic objectives and the continuous improvement of the institution's reputation, strength and reliability in the local and international markets.

Constant investments in technology and team training guarantee the prevention and mitigation of aspects involving losses due to operational risks

In addition to serving as a competitive advantage, the defined management and control model is also strategic for the Organization, since it is used daily by the managers and aligned with the Santander Spain Group's objectives, requirements of the New Basel Agreement (BIS II), requirements of Brazil's Central Bank, Securities and Exchange Commission, Superintendency of Private Insurance and the terms of the Sarbanes-Oxley Act.

Aligned with the guidelines of these supervisor and regulatory entities, the Grupo Santander Brasil defines operational risk events as those resulting from failures or deficiencies in internal processes, people or systems, or those caused by exposure to external events, which may or may not cause financial losses, affect business continuity or negatively impact stakeholders.

To face this challenge, the Grupo Santander Brasil maintains the following organizational structure, which is also part of the Bank's corporate governance structure.

Executive Operational Risk Committee – Independent and autonomous, this committee is responsible for defining strategies and guidelines associated with operating and technological risk management and business continuity management for the Grupo Santander Brasil operations.

Vice Presidency of Operational Risks – Consisting of the Superintendencies of Information Security, Special Occurrences, Intelligence and Fraud Prevention, Operating and Technological Risks and Business Continuity, the vice presidency is committed to disseminating the culture, defining methodologies, norms, policies, tools, training and procedures, as applicable and required, for the effective and efficient management and control of operational risks.

Superintendency of Information Security (SIS) – Responsible for defining and applying the actions necessary for protecting the Group's information, aligned with policies, standards and procedures, as well as the laws, norms and best global practices in information security.

Superintendency of Special Occurrences (SSO) – Responsible for preventing, detecting and calculating internal and external frauds and those occurrences demonstrating behavioral and norm deviations; orienting managers regarding the Group's procedures; creating specific processes for identifying abnormalities; and recommending solutions and proposals for improving internal controls while interacting with the other areas to elaborate preventive alerts for the network of branches and centralized areas about fraud-related topics in focus to prevent losses for the organization.

Superintendency of Intelligence and Fraud Prevention (SIFP) – Responsible for preventing, analyzing and controlling frauds in the electronic channels (Internet, Call Center and ATM), thereby reducing Group losses and boosting the security of the channels, both effectively as well as for the perception of clients and the public in general by implementing monitoring and reactive actions, identifying trends and new attacks and creating and applying an anti-fraud strategy in the channels, proposing and facilitating the development of solutions to prevent and combat frauds.

Superintendency of Operating and Technological Risks (SROT) – Responsible for applying best practices during operating and technological risk management and during business continuity management – helping managers comply with their strategic objectives – during the Grupo Santander Brasil decision making process and during daily activities, adjusting to and complying with mandatory requirements and maintaining the organization's reputation, strength and reliability.

Model

The model adopted by the Operating and Technological Risk area combines two separate approaches: centralized and decentralized.

Centralized – This approach represents one of the foundations for the model, in which it is defined that operating and technological risk control falls under the responsibility of the SROT, including the activities of identifying, evaluating, collecting, monitoring, controlling, analyzing, consolidating, adding, mitigating and modeling relevant potential risks and the risk and loss events caused by operating and technological risks. The operations cover all non-financial areas, processes and institutions that make up part of the Grupo Santander Brasil by disseminating the culture, policies, methodologies and tools required for operating and technological risk management.

Technology platform efficiency aligned with tools that guarantee secure business operations

Decentralized – This approach represents the other foundation for the model, in which the operating and technological risk managed is considered the responsibility of the area and process managers, with the help of the Operational risk and SROT representatives, who use pre-defined policies, methodologies and tools. The area and process managers, therefore, must guarantee the identification and timely notification of the operational risks to SROT for the corrective and preventive actions to be developed. It must also record them in the historical database for events and losses due to operational risks, presenting the results in a timely manner to Grupo Santander Brasil's senior management.

Focuses

The Grupo Santander Brasil focuses its efforts on the consistent convergence and integration of best practices in operational risk control and management. That is why the Group uses multiple approaches and adopts Qualitative and Quantitative focuses, together with the management and control of technological risks and business continuity.

The qualitative focus is designed to identify and prevent potential operational risks and define the risk profile of the areas and processes. It is founded on improving the effectiveness of the internal control environment. It also provides methodologies, tools and systems, such as the internal risk and control matrix, self-assessment questionnaires and qualitative operational risk key indicators (KRIs) to help managers identify and evaluate risks and controls and define the risk profile of each existing area, process, product and/or service. It also coordinates together with the responsible managers the application of the established action plans to improve the internal control and risk profile system.

The following are the main methodological tools adopted by the Group in this area:

Operational and Technological Risk Matrix – Customized and used to formalize and elaborate the database for potential risks, control procedures and activities identified in activities, processes and products. Workshops and self-assessment methodologies are used together with self-assessment questionnaires focused on operational risks and internal controls.

Abridged Matrix of Operational and Technological Risks for New Products – Developed and used to formalize potential risks and existing internal controls before launching banking products and services.

Quality Assurance Activities – Allows those responsible to evaluate, validate and prove the efficiency of the existing and formalized internal controls in the operating and technological risk matrixes and provide evidence for compliance with New Product Committee decisions.

Self-Assessment Questionnaires (Generic and Specific) – Designed to identify managers' perception of the environment in which they work from an operational risk management perspective, allowing for the creation of standardized criticality tabulations. In this way, it is possible to determine the coverage level of internal controls and the prioritized treatment of critical items, with managers interacting with the internal database and helping with the validation and implementation of the backtest.

Monitoring of the Action Plans Resulting from Failures and Relevant Occurrences – Institutional process developed and applied by SROT which, through the timely discovery of failures and relevant occurrences, allows those responsible to identify corrective and preventive actions to minimize impacts for stakeholders and maintain the update cycles in the operating and technological risk matrixes.

Monitoring of Regulatory Agencies – Process developed by SROT to identify and manage the registrations and requirements of regulatory agencies, aiming to ensure efficient compliance with deadlines and legal requirements and requests.

Monitoring of Financial Restrictions for the Grupo Santander Brasil – Process developed by SROT to identify any existing restriction against the Organization and guarantee their timely treatment, identifying the cases and those responsible for determining the applicable action plans.

The combined quantitative and qualitative focuses helps those responsible detect, correct and work toward preventing operational risks, while providing mechanisms for analysis and decision making, whether strategic or operating. The process also applies policies, norms, procedures and tools for maintaining the collection flow for risk events, operating losses and quantitative operational risk key indicators (KRIs) across Grupo Santander Brasil operations. In this way, the Group can consolidate all such information in a single database to allow for risk analysis and aggregation, the identification of the main cases of operational risks, and the coordination together with the responsible managers of the effective adoption of action plans to mitigate and reduce operational risks and losses.

Focus on the convergence and integration of best practices during the management and control of operational risks

This joint use methodology – with a qualitative focus and the timely discovery of operational risk events and losses due to operational risks, as well as the identification and analysis of the causes and their corresponding impacts – allow managers to adopt backtesting techniques while monitoring the application of corrective and preventive action plans for the discovered events.

This focus uses the following main tools:

Historical Internal Database for Losses Causes by Operational Risks – Contributes to decision-making when it comes to deciding on the priorities of the action plans designed to prevent and reduce operational risks and losses due to operational risks. The database allows managers to make advanced measurements to calculate the required economic and regulatory capital by constructing frequency and severity distributions for the losses caused by operational risks, and then calculate the Operational Value at Risk (VaR).

Elaboration and Monitoring of the Estimates and Limits of Losses Caused by Operational Risks – Process that guarantees the commitment of the main areas when it comes to the estimates and limits for operational risks during each year, with the periodic monitoring and analysis of the observed oscillations, anticipating the SROT recommendations for action plans to correct deviations, when necessary.

Identification and Monitoring of Action Plans for Mitigating and Correcting Operational Risk Events – Control and monitoring actions implemented by SROT for the application of the action plans identified in the relevant operational risk occurrences.

Database of Operational Risk Events Discovered from External Public Sources – Mechanism used in the culture dissemination process to incorporate the external events discovered during the analysis of scenarios and evaluation of occurrence probability (frequency and severity), aiming to complement the model used to measure economic and regulatory capital.

Analysis and Treatment of Failures and Relevant Occurrences – Institutional process developed and applied by SROT for the timely discovery of failures and relevant occurrences, designed for the adoption of corrective actions and adequate preventive treatment to minimize the impacts for stakeholders.

Operational Risk Key Indicators – Developed by SROT, the indicators allow those responsible to identify trends and deviations in relative databases that are complementary to the absolute databases, considering internal and external volumetry variables. In this way, it is possible to construct an operational risk key indicator panel that is customized to meet Grupo Santander Brasil needs.

The merger of these focuses ensures synergy and optimization for the Group through converged operating and technological risk and business continuity management, with a direct impact on economic and regulatory capital decisions.

Technological Risk Management and Control – Area responsible for assisting managers as they identify and evaluate technological risks and the respective internal controls that are specific to technology-related processes and activities. The area is responsible for defining the methodologies, tools and systems required for corporate technological risk management, and for coordinating the actions to prevent and reduce technological risk events and the associated losses together with those responsible.

Business Continuity Risk Management and Control – Area responsible for coordinating the maintenance and updating of the business continuity management process and the strategic extension of this process throughout all of the Grupo Santander Brasil operations. In this way, the area promotes a survey of the risks and impacts associated with the process through the use of tools such as the risk and internal control matrix, self-assessment questionnaires and operational risk key indicators (KRIs).

The area also coordinates the elaboration of the Business Continuity Plans (BCP) for the Organization's different areas, the application of tests, BCP implementation with the managers (when considered necessary) and the training of the Crisis Response Group (CRG) and focal points of the areas for the local management of their plans. It also proposes business continuity strategies for the Grupo Santander Brasil Plan.

Risk management

Scope

The scope of operating and technological risk management and control, as well as business continuity management at the Grupo Santander Brasil goes beyond the simple identification of regulatory capital allocation and control. This is because its operations are aligned with the Organization's very strategy, guaranteeing mechanisms for sustainable growth both for the Group and the environment in which it operates.

With ethical and professional operations, the Operating and Technological Risk Control area has made significant achievements for the institution, guaranteeing its continued success and development. These achievements include:

- Group compliance with existing regulations: BACEN, CAM, Susep, BIS-II and SOX;
- Compliance with the Sarbanes-Oxley Act and related certification;
- Improved operating efficiency and productivity of activities and process and optimized allocation of economic and regulatory capitals;
- Stronger reputation and improved risk/return relationship for stakeholders;
- Timely compliance with new regulatory agency requirements;
- Maintenance and preservation of the quality and reliability of products, services and related parties;
- Opportune corrections of the vulnerabilities identified in the processes;
- Quality assurance evaluations for the new products developed;
- Follow-up, via a monitoring panel, of the timely fulfillment of regulatory agency requests;
- Cultural change and dissemination of accountability; and
- Compliance with the requirements of the Central Bank of Brazil and Bank of Spain.

This structure gives the Organization the flexibility it needs to constantly improve pre-existing methodologies and guarantees a more in-depth dissemination of the culture of responsibility associated with risk management and eventual loss events.

Differentials

The Vice Presidency of Operational risks maintains its teams updated and trained to implement the changes identified in the market of operation, in addition to promoting training for the other Group professionals through Intranet courses and specific materials. The SROT works in an integrated fashion with the other areas, selecting representatives for those considered most relevant, including Technology. The following were some of the main achievements recorded by the area in 2008:

- Operating and Technological Risk Prevention and Control Week;
- Creation and maintenance of the Integration Program for New Employees – "A Single Voice" – with lectures and presentations on the responsibility of each one and how they should manage operational risks;
- Training on the procedures necessary for evaluating the internal control environment, as well as the importance and demands necessary for compliance with the Sarbanes-Oxley Act;
- Creation, dissemination and maintenance of the Instruction Manuals, allowing for their effective distribution throughout the corporation to ensure the commitment of all involved;
- Coordination of the annual process for elaborating the estimates of losses due to operational risks and the action plans for ensuring reduction and accountability;
- Development of key risk indicators, with the objective of extracting absolute and relative analyses based on volumetry and benchmarks; and
- Issue of summaries and highlights of relevant cases involving operational risks discovered from external public sources, strengthening the perceived importance of the operational risk control and management process.

Activities developed within the sphere of the Sarbanes-Oxley Project led to the expansion of the risk analysis and management culture by the areas involved in the process

This set of activities helped the Grupo Santander Brasil achieve its strategic and operating objectives in a consistent fashion, with a controlled environment that accurately calculated the level of exposure to assumed risks, maintaining them at a risk profile considered low.

CVM Resolution 3380/06 – Central Bank of Brazil (BACEN)

The Vice President of Operational Risk supplies the norms, methodologies and internal model – all founded on best market practices – for the identification, evaluation, monitoring, management and control of operational risks, thereby anticipating the requirements established by the Central Bank of Brazil CMN Resolution 3380, dated July 29, 2006.

The senior management and the Group’s head office, both committed to the topic, evaluate, approve, recognize and support the structure, policies, methodologies, tools, norms and procedures adopted to promote effective operational risk management and control at the Organization.

The main results obtained through this management method – including the creation and operationalization of the Executive Operational risk Committee – are also available in the Annual and Sustainability Reports for the years of 2006 and 2007 and in the consolidated financial statements for the period ended on December 31, 2008, on the website (www.santander.com.br).

Sarbanes-Oxley Act

The result of a project initiated in 2005, with the introduction of the Sarbanes-Oxley (SOX) Project and application of internal controls taken from COSO methodology (Committee of Sponsoring Organizations, made up of North American entities from the areas of accounting and auditing), the Grupo Santander Brasil obtained the SOX certification in 2007 and 2008, without the identification of any relevant incidents or material weaknesses.

The document attests to the Group’s compliance with the Sarbanes-Oxley Act, approved in 2002 by the U.S. Congress to improve the transparency and precision of financial reports while providing more ample protection for investors. The achievement represents an important competitive advantage for the Organization’s objectives and sustainability, clearly revealing its commitment to adopting best practices.

The activities developed to help the Group adapt to SOX resulted, among other benefits, in the expansion of the risk analysis and management culture by all areas involved in the process, the creation of a strong control management structure, the enhanced security of the operations and improved information quality. It also guaranteed a closer relationship between compliance with regulations and the efficient use of operating resources.

Risk management

As a result of efforts initiated in 2005, the Grupo Santander Brasil obtained SOX certification in 2007 and 2008.

Pillar III – BIS II – 2008

As a result of the approaches, focuses and tools used by SROT, the following tables present summarized and conclusive information on the operational risk management and control process. The results are already aligned with the Pillar III – BIS II (Market Discipline) as well as Article 4 of CMN Resolution 3380/06 and attest to the transparency of the structure, models adopted and results obtained by the Group for the operational risk management and control structure.

a) Summary of the Grupo Santander Brasil Risk and Internal Control Model

Activities	Processes	Sub-Processes	Risks	Controls
20	162	1,079	1,871	3,205

b) Losses due to operational risks vs. Grupo Santander Brasil business line

		Type of loss due to operational risk						
		I	II	III	IV	V	VI	VII
	LN1	–	–	–	0.00%	–	–	0.00%
	LN2	–	–	0.06%	–	–	–	0.04%
	LN3	0.99%	30.47%	40.38%	22.62%	0.58%	–	3.93%
Business	LN4	–	–	0.01%	0.01%	–	–	0.03%
Line	LN5	–	–	–	–	–	0.00%	0.01%
	LN6	–	–	–	0.00%	–	–	0.05%
	LN7	–	–	0.17%	0.02%	–	–	0.01%
	LN8	–	–	0.08%	0.03%	–	–	0.49%

Where:

Type of loss due to operational risk
I Internal Frauds
II External Frauds
III Inadequate labor and workplace safety practices
IV Inadequate practices with clients, products and services
V Damage to physical assets
VI System and/or business failures or interruptions
VII Failures in activity, execution, delivery, processing and management

Business lines
LN1 Corporate Finance
LN2 Negotiation and Sales
LN3 Retail Bank
LN4 Commercial Bank
LN5 Payment and Settlement
LN6 Branch Services
LN7 Asset Management
LN8 Brokerage and Retail

Regulatory capital

The Grupo Santander Brasil – considering both Banco Real and Santander – adopted the Standardized Alternative Approach to calculating the Portion Referring to Operational risk (Popr) starting on December 31, 2008. The following table demonstrates the regulatory capital consumption structure by Grupo Santander Brasil business line.

Business Line – Group		Consumption
LN1	Corporate Finance	4%
LN2	Negotiation and Sales	40%
LN3	Retail Bank	16%
LN4	Commercial Bank	22%
LN5	Payment and Liquidation	6%
LN6	Branch Service	4%
LN7	Asset Management	8%
LN8	Brokerage and Retail	1%

Prospects

With the structure, methodologies and models developed and adopted, the Grupo Santander Brasil hopes to strengthen its operations, both in the local and international arenas. It also strives to consolidate this strategy to help preserve its image as a leading institution when it comes to the management and control of operating and technological risks and business continuity, proven by its maintenance of an effective internal control environment and the identification of exposure to risk.

Human capital

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In order for the Grupo Santander Brasil to fulfill its aspiration of being the best place to work in the national financial sector, it began an integration process in 2008 to identify best practices in Human Resources developed by the two banks and the market. The following initiatives directed at disseminating and applying the Santander Values served as the operation axes: Dynamism and Anticipation, Innovation, Leadership, Customer-Oriented Approach, Professional Ethics and Strengthening the Balance Sheet.

Personnel management is aligned with a global training model and the exchange of experiences that offer strategies for attracting, qualifying and retaining talents. With policies and tools that promote the human and professional development of its more than 53,000 employees, the Organization is prepared for the challenge of maintaining its business growth.

Integration

With the acquisition of Banco Real in October 2007, the main challenge for the Group's Human Resources area in 2008 was to establish an integration model that could identify the best practices developed by the two institutions and the market, while guaranteeing that all daily activities continued to run smoothly. After initial mapping, the area created the Integration Front, which it divided into three levels: 1. HR Processes – involves the integration of processes such as payrolls and systems; 2. HR Policies – focused on benefits policies, training, job position structure and employee services, among others, which direct the personnel management of the new Organization; and 3. Change Management – addresses the behavior, organizational culture and strategies for developing the attributes and knowledge necessary for the Group's future.

All of these stages were implemented with the premise of involving the different areas of the Group, guaranteeing that the flow of information and defined paths to meet the needs of the areas and their teams. Accordingly, the Group decided to create an HR Committee, which consists of executives who represent the Executive Board. The group meets once a month and is responsible for discussing, defining and approving some 100 different topics. Each one of these carries a new proposal and policy.

The conclusion of the first and second phases, with the full integration of the administrative and operating processes focused on the internal public, is set for June 1, 2009.

Considered an important part of the integration process between the two banks, the employee dismissals determined by synergies were conducted using best market practices and emphasized ethics and transparency. The Group also offered an outplacement service for all dismissed professionals, regardless of their hierarchical level.

Internal transfers

One of the measures adopted to reduce the number of dismissals was the creation of internal job transfer systems. Starting at the beginning of the year, the Group launched five programs designed to expand its business: 1. *Venha Trabalhar na Rede* – the employees of the administrative units from the two banks can apply to work in the bank branch network. In its first edition, the initiative attracted 500 candidates; 2. *Banco de Oportunidades* – adopted to fill executive positions through internal recruiting and by promoting the professionals' interest in making a career transition; 3. *Carreira Santander* – launched in March 2008, this initiative is designed to offer employees the possibility of filling open job positions in all areas and at all levels of the Organization. The fourth and fifth programs are focused on International Mobility.

As the member of an institution present in over 40 countries, one of the Grupo Santander Brasil's distinguishing characteristics is the adoption of a culture based on global corporate practices and values to train employees. The employees have the opportunity to interact with other markets and exchange experiences with their peers. Step (Santander Executive Training Program), which promotes mobility between Latin American and European employees, benefited six Brazilians in 2008. FUDs (*Futuros Diretivos*), which promotes mobility between Latin American employees with an international career profile, had 11 participants in Brazil.

Human capital

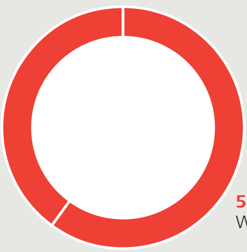
The identification and adoption of best practices help support the Group's aspiration to become Brazil's best place to work in the financial sector

Diversity

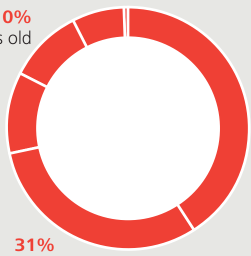
Employees with special needs	2008
Employees with special needs hired	158
Total number of employees with special needs	1,890
Percentage of employees with special needs in relation to total number of employees	3.56%

Employee Profile

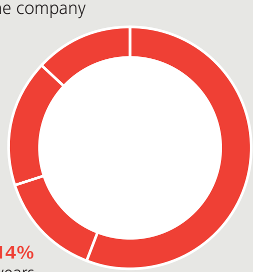
Distribution by gender



Distribution by age group



Distribution by time with the company



Diversity

Diversity has been a focus for Santander and Real since 2006 and 2001, respectively. The diversity programs at the two banks encourage discussion and debate on the topic while contributing to the increased inclusion of certain groups that have historically suffered discrimination and are considered to be at-risk or at a disadvantage in society.

In 2008, the Grupo Santander Brasil continued with the Estagiário Unipalmares program (Santander) and Executivo Jr. program (Real), both of which promote the development of Afro-Brazilian interns. During the year, 95 youths participated in these initiatives. Another one of the Group's actions is Jovem Aprendiz, a program designed to provide a first job to youth ages 14 to 24 years old, preparing them for the job market. The program assisted some 900 participants during the year.

Jobs

The Grupo Santander Brasil invests heavily in improving employability in the areas in which it operates. Among its different initiatives, the Intern Program is one of the tools with the greatest social impact. In 2008, 4,584 youths participated, 1,443 of whom were subsequently hired.

The 2008 edition of the Trainee Program was implemented in an integrated fashion, uniting the initiatives developed until then by the Santander and Real banks. A total of 18,184 individual signed up, and 51 trainees were contracted during the period.

This integration process produced a turnover of 15.9% at the end of 2008, with 6,572 employees hired and 8,449 dismissed.

In 2008, the Group invested R$ 79.5 million in employee training – considered crucial for business success

Education and development

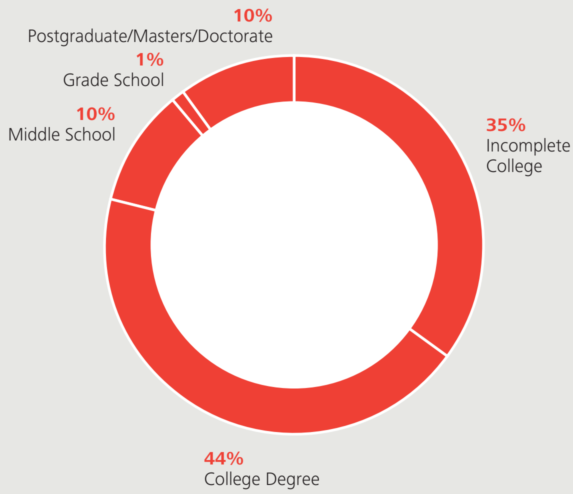
For the Grupo Santander Brasil, employees are crucial for guaranteeing the success of its relationships and operations. That is why it invests in the creation and continuous improvement of the individual through development programs that reflect a careful approach to the continuous training and education of employees. And all of this because it believes that better people naturally become better professionals. The Group is dedicated to developing leaders who have initiative and participate in the transformation of the work environment and even beyond – influencing their surroundings and society to promote sustainable development. The development programs are structured based on the functions exercised and aligned with the Group's strategic objectives.

During the year, investments in training totaled R$ 79.5 million at Santander and Real, 22% more than in 2007. The Group administered 1.9 million hours of on-site training, involving a total of 76,100 participants. The distance courses benefited 57,000 employees and represented approximately 1 million hours of training.

The *Trilha de Formação* (Training Trail) project, launched in May, was another one of the year's highlights. Directed at employees from the Santander commercial network, the project was developed by the Training and Development Center (TDC) in partnership with the network of branches and Segments, Products, Risk and Support areas. The result of a two-year study, *Trilha de Formação* consists of a series of behavioral, technical-functional and institutional courses. The project also supports managers when planning priorities for the training of their teams. For employees, it facilitates career acceleration (fast track) since it allows them to take those courses necessary to assume hierarchically superior positions.

To promote the exchange of experiences between employees, the Group created the Internal Suppliers Program. With two modalities – Educator Manager and Multiplier – it assigns professionals with the task of disseminating the Organization's culture, values, concepts and operating models.

The Group also held several courses on Leadership and Sustainability Management. One of these was the conclusion of the Programa de Desenvolvimento de Líderes em Sustentabilidade, a development program for leaders in sustainability, which trained over 2,000 superintendents and directors from the network, in addition to managers from the business and support areas at Banco Real.



	2008
Number of employees benefited from scholarships	4,860

Leadership development	**2008**
Participation of employees in training sessions focused on the development of leaders	15,351

Sustainability training	**2008**
Participation of employees in training sessions about sustainability	37,471

Human capital

The Living Better program seeks to offer enhanced quality of life to employees through support of health, well-being and partnership initiatives

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Also in 2008, 88% of Banco Real's points of sale were staffed by employees who participated in LIBRAS (Brazilian Sign Language) training and were qualified to provide services in bank branches to customers with hearing deficiencies. Santander intends to meet its goal of having 100% of its branches staffed by employees who have undergone this training before the end of 2009. The initiative complies with the regulatory requirements issued by the government, which determine that all banks must have at least two members of staff on hand to be able to communicate in sign language in their points of service.

Healthy lifestyle

Fostering a healthy lifestyle for all employees and members of their families is one of the commitments of the Grupo Santander Brasil. The Group works with principles that encourage its staff and members of their families to adopt healthier habits and attitudes.

The *Programa Gestante* was one of the new projects in this regard introduced in 2008. The program focuses on early diagnosis and periodic follow-up to ensure the well-being of expecting mothers and their future babies. Over the course of the year, more than 330 pregnant women joined the program. The special care given expecting mothers already had been implemented by Banco Real, which in 2008 continued to organize a cycle of lectures by specialists and maintained support locations for nursing mothers in three administrative buildings, benefiting about 200 mothers.

Through its *Programa Vida Saudável*, Banco Real offers regular meditation and yoga classes. The Bank also has Choral groups that put on presentations in the cities of São Paulo, Rio de Janeiro, Belo Horizonte, Porto Alegre and Recife, involving some 150 Grupo Santander Brasil employees. The program encompasses the *Musicantes* Project, which organizes weekly music classes for employees and family members in São Paulo. About 80 employees who are part of the Choral groups and the *Musicantes* Project participated in the *Natal do Nosso Mundo* festivities, described on page 61 in the chapter on Social and Cultural Investment.

Another initiative of the two banks is the *Programa de Apoio Pessoal* (PAP in Santander and PAPE in Real) that offers personalized assistance 24 hours a day to employees and members of their families on a number of subjects, such as nutrition, legal help, psychological support, and others.
The number of employees who were helped during the year through this service was about 15,000 through PAP and 27,000 by PAPE.


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Grupo Santander Brasil

Santander

ANO 03 / Nº 20 / DEZEMBRO / 2008

Carta de apresentação

Caros(as) funcionários(as), Essa é uma edição especial da Revista Idéias. É a primeira em nome do Grupo Santander Brasil, que reflete a união do Santander e do Real. Apresentamos matérias dos dois bancos, nossas diretrizes e registramos os melhores momentos do nosso Encontro 2008, no qual estiveram reunidos no dia 4 de dezembro, em São Paulo, cerca de 4 mil funcionários de todo o Brasil Na ocasião, Fabio Barbosa agradeceu a solidariedade demonstrada aos colegas e autoridades.... mais

Brasil é prioridade na estratégia internacional do Santander

Em visita ao País, Botín apresenta Plano Estratégico, que prevê investimentos de R$ 2,5 bilhões nos próximos dois anos.
O Brasil é uma das grandes apostas do Grupo Santander. Nos últimos dez anos, foram investidos US$ 31 bilhões na América Latina... mais

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Among the activities that were used to foster integration between employees and their families with their communities, of particular note during the year was the Santander and You Week, a global initiative of the Grupo Santander. Five solidarity actions were organized which attracted the participation of more than 500 persons. In the city of São Paulo, trees were planted, a volleyball clinic was run, blood donations were encouraged, a dam at the Guarapiranga Reservoir was cleaned and a number of public spaces earmarked for senior citizens and children were refurbished.

Communication

Among the in-house communication channels used by the Grupo Santander Brasil are *Ideias* magazine, a bimonthly that publishes articles about the Organization's main initiatives and strategies, and the "President's Blog." Available to Banco Real employees since 2007, and for the entire Group as of August 2008, the Blog encourages an exchange of information, ideas and experiences between employees and president Fabio Barbosa. Whenever there is an important fact to disclose, the president posts the topic on the Blog. Employees can publish their suggestions, doubts and opinions in the same space. As a rule, none of the comments that are posted are moderated, edited or censored. At the close of December 2008, the Blog had been accessed more than 200,000 times and 500 comments had been posted, the majority of them related to the integration process of the two banks and the future of the institution.

In step with the Group's communication model throughout the world, the unit in Brazil took an important step in 2008: Santander's employees were connected to all of the units of the Organization through a global public Corporate Intranet. This tool, which standardizes the work platform for all of the Conglomerate's companies, was developed in order to disclose corporate projects and expand their visibility, as well as function as a place for exchange of ideas and good practices. By 2009, all Grupo Santander Brasil employees will have access to this channel.

Remuneration and benefits

Benefits	Total expense (thousand R$)
Meals	403,508
Social and mandatory charges	1,084,220
Private pension	118,509
Health	157,815
Workplace safety and health	4,903
Professional education, training and development	80,880
Day care center or childcare assistance	20,225
Profit sharing	539,103
Others	28,231
Total	**2,437,394**

Social and cultural investment

Grupo Santander Brasil seeks to promote activity models through social and cultural projects that contribute to the building of a nation that is fairer and that offers opportunities for all.

Santander Universities

For the Organization, the sustainable growth of a country is linked to its capacity to produce and to share knowledge, stimulating the spirit of entrepreneurship and building the capacity of generations to face current and future challenges. Santander Universities, a Global Division to strengthen relationships with higher education institutions in 15 countries, was created under this assumption. It develops distinctive products and services for the academic community.

The Universities are part of the *Programa de Apoio à Educação Superior*, a higher education support program that has been running since 1996, which represents the main underpinning for the Grupo Santander's social responsibility actions. Through the Santander Universities, the Organization already has invested more than R$ 1 billion globally and awarded 50,000 scholarships. In Brazil, in 2008 the amount set aside to support higher education totaled R$ 58.8 million, more than the R$ 57 million originally budgeted for the period.

The program enters into bilateral agreements for support of teaching and research, through the awarding of study scholarships and exchange programs for students and teachers as well as support offered partnered universities. In 2008, 5,500 scholarships were offered, including programs for scientific pre-initiation and initiation and domestic and international social inclusion and mobility grants. By the end of 2009, Santander Universities will have benefited 16,500 Brazilian students and teachers through its scholarship and grants programs.

Internationalization is another strong point of this initiative. The agreements that have been signed with reference universities in the United States, China and Russia in 2008, for example, fulfilled the role of establishing exchange programs with leading research centers, and also promoted innovation and expanded the possibilities for partnerships with universities and companies in these countries.

Bringing universities and companies closer together is another distinguishing characteristic of Santander Universities. Through initiatives such as the Santander Prizes for Entrepreneurship and for Science and Innovation, the Organization encourages the development of new solutions for people and companies. In its fourth year, there were 1,912 project applications from 244 universities, an increase of 26% over the number of submissions the previous year. The seven winners received R$ 50,000 to invest in their projects.

Organized by Santander Universities, with management and development carried out by Universia Brasil, the prizes already are considered one of the main initiatives promoting entrepreneurship and scientific research, bringing companies and the academic world into closer proximity. The criteria for winning include evaluation of the innovative nature of a project, its potential for creating wealth and an assessment of its social and environmental impact.

Furthermore, 35 new agreements were signed with academic institutions, raising the total to 175, benefiting 319 partner educational institutions in the country and benefiting more than 1.5 million students and teachers.

To promote access to knowledge and information swapping, the Organization also maintains the *Espaços Digitais Santander Universidades*, rooms containing computers and monitors who orient students in the use of the Internet and other on-line tools, expanding the exchange of knowledge and fostering digital inclusion. Currently, 27 such Digital Spaces are set up in a number of regions of the country.

Another important social action consists of projects that have been carried out since 2007 as part of a series of partnerships between Santander Universities and the *Serviço Nacional de Aprendizagem Comercial* (Senac). Divided into four separate fronts – Labor Education, Worldwide Breast-Feeding Campaign, Socio-Environmental Projects and Inclusion of Persons with Deficiencies – these programs benefited 4,500 young people, 50% more then in 2007. These initiatives are aimed at youths who are in situations of social risk, individuals with deficiencies, social and community leaders and public grade school students.

Social and cultural investment

Through a series of projects and partnerships, the Grupo Santander Brasil contributes to the construction of a country that has opportunities for everyone

Universia

Part of the global commitment of the Grupo Santander to higher education, Universia is a university cooperation network that joins together 1,100 teaching institutions from 15 countries in Latin America and the Iberian Peninsula (Spain, Argentina, Brazil, Chile, Colombia, Mexico, Peru, Puerto Rico, Portugal, Venezuela, Uruguay, Andorra, Panama, Paraguay and the Dominican Republic). The Universia portal is the network's main aggregating agent, reaching 76% of the university public, benefiting 10.9 million students and about 900,000 teachers.

Universia's activities are aimed at pre-college, college and postgraduate students, professors and administrators of higher education institutions. Among the main actions are the following: employment promotion and training; support of scientific entrepreneurship and research; development of Education at a Distance (EAD); fostering of initiatives conducted jointly with art and universities; and publicizing of information regarding scholarships, exchange programs, entrepreneurship, first job programs, scientific research and career path information, among others. Management of these projects is conducted based on four strategic underpinnings: Employment, Training, Observatory and Social Networks.

The Universia Brazil portal celebrated its sixth anniversary with some 2 million registered users, 1.1 million unique users per month and 257 partner universities.

Among the highlights in 2008 was the promotion of employment through the Universia Employment channel, a free résumé posting service that during the year offered space for 150,000 job candidates. Of these, more than 6,000 underwent selection processing. To further stimulate the corporate area, an initiative was signed with the Official Spanish Chamber of Commerce in Brazil. This agreement is for the use of the Universia Employment résumé management tool by all of the members of the Association interested in recruiting trainees and interns. For its part, an accord with Trabalhando.com is designed to offer registered Universia users access to trainee and intern positions through the main online job listings portal in Latin America.

In the Training area, Universia developed the *Cursos Portal*, a website designed to faster training and development in the academic fields. Extension and postgraduate online and live courses are listed, offered by the network's partner universities, totaling 1.5 million page views for the year.

To strengthen the relationship between universities and companies, Universia created Innoversia, a virtual space designed to bring together the needs of companies with solutions offered by the scientific community. Interested researchers obtain a free listing and have access to the requests made by the companies.

Another guideline of Universia is promotion of the Spanish language. One of the actions of the Training area is a partnership with the Miguel de Cervantes Institute, which has resulted in three on-line courses in Spanish. Launched in 2007, the *¡Vale!* Project has taken on two distinct names: "*¡Vale! Universitários*" and "*¡Vale! Docente*", making 1,000 spaces vailable for teachers and employees of the University of São Paulo (USP) and another 1,000 places for the institution's teaching staff. Through !Oye!, in operation since 2006 in partnership with the São Paulo state government and the University of Brasília (UnB), some 2,000 São Paulo state public school students already have been benefited.

Universia also is a strategic partner of the Grupo Santander Brasil with regard to the strengthening of the company's brand and the Organization's Mission, as well as the development of products and services that satisfy the requirements for training employees and promoting the organizational culture. In this regard, at the end of 2007 the !Hablar! project was launched, consisting of customized content aimed at the financial market, designed to facilitate communication between members of the Group's staff around the world. Some 450 employees participated. Moreover, 29 new distance education NetCourses were developed for in-company teams, put on 179 times.

Also in 2008 Universia Brasil was the winner of the *I Prêmio de Responsabilidade Social Corporativa* prize offered by the Official Spanish Chamber of Commerce in Brazil for its work with the academic community since 2002.

Program initiatives conducted/supported by Universia in 2008

Project	Description	Result
Jobs		
Comitê de RH	Universia is a member of the Human Resources Committee of the Official Spanish Chamber of Commerce in Brazil	Promotion of meetings to do basic topics related to the Human Resources area
Training		
Consórcio OpenCourseWare	Developed by the Massachusetts Institute of Technology (MIT), offers didactic and scientific contract for free to enter national universities	19 partner universities with Universia Brasil participating in the project in 2008
Convênio Educação	Partnership with the Santander HR area to benefit employees and members of their families with discounts at universities	Partnership agreements with 15 universities
Livros	Support for the production of bilingual books and a guidebook supporting mobility	Published in partnership with Unicamp. Bilingual editions of *O Alienista* (1,500 copies), and *Dom Casmurro* (5,000 copies), both by Machado de Assis, and the *Spanish Guidebook for Students and Families* (5,000 copies)
Revistas	Support for the publicizing of three important magazines	Publications: *História Iberoamericana, Educação Brasileira e Nossa América*, and *Globalização, Competitividade e Governabilidade*
Observatory		
XI Conselho de Administração	Meeting to decide upon Universia Brasil's projects and initiatives for the year	Participation of the president of the Grupo Santander Brasil, the vice president of Universia Brasil and 15 rectors
Junta de Castilla Y Léon	Support to the autonomous community of Spain and dissemination of the Spanish language	Put on a seminar program to disseminate the Spanish language in Brazil that attracted more than 1,000 teachers from public and private schools in the state of São Paulo. Signing of an agreement for awarding scholarships in Spain
Social networks		
Fórmula Universia	A cultural contest as part of an integrated action to sponsor the ING Renault FI team, with the participation of Brazilian driver Nelsinho Piquet	Online competition that totaled 137,000 page visits and 34,000 unique visitors
Campus Party	Support given to a worldwide digital technology, content and entertainment event held for the first time in Brazil	Realization of a cultural contest which offered 20 tickets to the event to users of the Portal and totaled more than 28,000 accesses

Social and cultural investment

The Organization believes that the promotion of culture is an important agent for raising awareness about creativity and the national identity

Private social investment

Education is the Organization's main private social investment axis. Its calling for this topic was strengthened through the merger of the Santander and Real banks, because each had already been developing their own private social initiatives through the public schools and universities of the country. Thus, the group began to support the entire chain of education, from pre-school and grade school through to higher education. For the year, social investments with this focus totaled R$ 70.7 million.

In order to align and promote the practices, in 2008 the Social Action area dedicated itself to surveying the private social investment initiatives carried out by both banks, taking advantage of the synergies generated in the processes and the capacity to boost results. The Social Action Committee that had existed within Real since 2001 was reinforced by Santander representatives, making it possible to identify new opportunities and, moreover, improving the already existing initiatives and aligning them with the day-to-day operations of the group.

One of these initiatives consists of the *Concurso Banco Real Universidade Solidária*. This competition seeks to contribute to the formation of qualities of citizenship of future bank employees and the sharing of knowledge by institutions of higher learning with needy communities, along with support of university extension operations. The projects are executed by university professors and students and represent a number of different fields of knowledge; based on the results, the support can be renewed for a subsequent year. In 2008, through this initiative, the Grupo Santander Brasil supported nine sustainable development projects that emphasized income generation – each one received R$ 40,000 – involving 30 teachers and 123 students, benefiting about 400 people in communities around Brazil. During the first year the support was offered, 100% of the projects generated increased production and 70% boosted the income of the beneficiaries by up to 17%.

Another action is the *Prêmio Educar para a Igualdade Racial*, a competition launched in 2002 in partnership with the Centro de Estudo das Relações do Trabalho e Desigualdades (Ceert). Its objective is to include the topic of race/ethnic relations in teaching curricular and school practices. In 2008, public and private schools and teachers participated, from preschool through to grade school (first and fourth grades) in the state of São Paulo, in school and teacher categories. The initiative judged 184 projects, with four schools winning R$ 10,000 each and four teachers being awarded R$ 5,000 a piece.

Moreover, another example of synergies detected between the two banks consists of the programs for earmarking part their annual Income Taxes to Municipal Funds for Children and Teenage Rights.

Profile of the external social investment	Total Investment 2008 (in thousand R$)
Education	70,778
Culture	12,411
Appreciation of diversity	9,908
Children and teenager rights	4,448
Income generation	762
Sports	51
Combat of hunger and food security	8
Health and sanitation	5
Others	9,174
Total investment in social actions	107,545

This is done through the *IR Solidário* and *Amigo Real* program, which during the year involved support for some 32 projects, with the adhesion of 17,450 Banco Real employees and 1,377 clients and suppliers. The Grupo Santander Brasil companies destined more than R$ 1.1 million to the program. Together, employees, suppliers, clients, partners and the Organization all told offered more than R$ 4.6 million in matching funds.

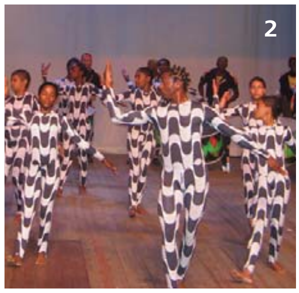
Focused on improving the quality of public school education, in December the *Projeto Escola Brasil* run by Banco Real became the Group's corporate volunteer program, totaling 1,535 volunteers at 159 partner schools during the year throughout the country. For its part, the *Parceiros em Ação*, program supported projects that facilitate the access of low-income youths to universities. The benefited projects were indicated by the employees and selected by a technical commission made up of representatives of Universia, Santander Universities, the president of the of the Grupo de Institutos, Fundações e Empresas (Gife), Fernando Rosseti, and journalist Gilberto Dimenstein. The 10 initiatives that were selected received a total of R$ 569,000.

The role of the Group as articulator of other social agents is the motto of the *Projeto Investimento Reciclável*. A partnership with Suzano, the Avina Foundation and the Instituto Ecofuturo, this action consists of offering financial support and training to members of trash recycling cooperatives and associations. The cooperatives that received support in 2008 through November registered a 57% average increase in income. During the year, six new cooperatives were supported through training and funding, part of another edition of the program.

Cultural investment

The Grupo Santander Brasil believes in the importance of fostering culture as a way of encouraging national creativity and identity. Through two centers – with units in Porto Alegre and the Altino Arantes Building in São Paulo – and the Instituto Cultural Banco Real in Recife, the Group promotes culture on a number of fronts, especially visual arts, music, theater, movies and literature. This year, these three units produced more than 217 cultural activities, including exhibitions, shows, seminars and movie screenings.

One of the priorities in the field of cultural investment in 2008 was a survey of the initiatives promoted by the two banks and the results achieved, together with a survey of the institutions' overall cultural collection. The initial work showed that the integrated collections contain important pieces from Brazilian cultural production from the decades between 1940 in 1970. These are collections that complement each other and reflect the impressions of renowned artists regarding significant happenings in the country and in the world.



Increasing access to these and other collections is another way that the Grupo Santander Brasil is helping make culture a more democratic process. Support of the *Museu para Todos* project was one of the new sponsorships it entered into during the year. The initiative, of the Pinacoteca do Estado de São Paulo, promotes access of different audiences and publics to art and cultural heritage, through educational activities and social inclusion policies. Among those who benefited during the year are people with some type of deficiencies, adults who are in situations of vulnerability and teachers.

Movies are another cultural area benefited by the Group. Support is through sponsorship of Brazilian films – either directly or through the *Programa de Fomento da Secretaria de Estado da Cultura de São Paulo* of the São Paulo State Secretariat for Culture – and also includes promoting movies through events and screenings at cultural centers.

The scenic arts also were included in the 2008 cultural investment strategy. Three different pieces were sponsored, attracting an estimated public of 57,000 persons to theaters. Furthermore, the Group supports the *Teatro nas Universidades* project, which brings theater productions to private and public universities around the country, subsequently promoting debates and reflection, collaborating with the formation of better citizens. Over the past four years, the project benefited about 80,000 students.

In 2008, the *Natal do Nosso Mundo* project merged the Santander and Real Christmastime initiatives. This involved 14 separate actions, including choral music festivals in five Brazilian cities, the installation of a Christmas tree in Ibirapuera Park in São Paulo, a Christmas exhibition at the Avenida Paulista building, an Enchanted Christmas Tree contest, crafts workshops, an interactive Internet website and a Christmas legends booklet. The activities spotlighted the different ways of celebrating Christmas among different ethnic groups, recovering legends, ways of giving Christmas presents, preparation of Christmas dinners, Christmastime characters, etc. The exhibition attracted 465,300 people, 41 schools and 1,800 chaperoned children. The Enchanted Christmas Tree contest involved 69,000 students from municipal and state public schools representing five state capitals. The interactive website recorded over 1.5 million accesses to the project and 840,000 people visited the giant Christmas tree in the Ibirapuera Park.

The Group also sponsored the *Museu do Futebol*, a museum dedicated to the memory of Brazilian soccer, inaugurated in 2008 in the Pacaembu Stadium in São Paulo. This is the first museum in the world that presents the game of soccer as an element of national heritage, something that is fundamental to Brazil's culture.

In 2008, Santander also continue to sponsor the São Bernardo volleyball team, which in 2009 was to celebrate its 25th anniversary, with 17,000 young people having participated in the selection stages over the years, resulting in about 1,000 of them being hired for the squad.

Other social and cultural projects sponsored in 2008

Program/Project	Objectives
Redescobrindo o Centro de São Paulo e a Avenida Paulista	Foster weekly visits to the historic center of São Paulo and Avenida Paulista for children between the ages of 7-14, rapid right social organizations supported by the Abrinq Foundation and the Sé and Santo Amaro borough governments
Brincando na Rede	An entertainment site oriented towards children's education, whose main concept is a virtual community. All content published built in collaboration with the visitors to the site, stimulating creativity, imagination, research, reading and logical thinking
Canto da Escola	Kiosks that sell handicraft products based on the concept of an ethical and solidarity commerce model, located in Banco Real's administrative buildings. The project seeks to promote social and economic inclusion of poor communities, while also helping the financial sustainability of the Brazil School Project
Campanha do Agasalho	Designed to encourage volunteer activities on the part of Bank employees through the donation of warm clothing to social organizations linked to the State of São Paulo's Cultural and Social Development Solidarity Fund.
Natal Santander Solidário	Designed to stimulate the Bank's employees to prepare a Christmas kit for children and teenagers who are assisted by six nonprofit institutions in São Paulo, Rio de Janeiro and Porto Alegre.
Prêmio Voluntário do Ano	A prize that recognizes and encourages spontaneous work of employees in benefit of social entities through reporting about their voluntary activities.

Santander in the world

Santander in 2008

Olive trees more than 1,000 years old at Grupo Santander City, Boadilla del Monte, Madrid

"The results of 2008 clearly show the Bank's capacity to solidly weather this difficult environment and are an excellent starting point for the future."

Emilio Botín, President

Banco Santander's attributable profit was EUR 8,876 million in 2008, the third highest among the world's banks

Santander in 2008

The Group's ordinary profit increased 9.4%. Excluding the extraordinary capital gains of 2007, profit was 2% lower.

Record ordinary profit in 2008

Banco Santander conducted its business in 2008 in a very complex environment for the international financial sector, which had a very significant impact on the stock market and the profits of the main international banks.

In this context, Santander continued to stand out for the high quality and recurrence of its earnings. Total profit was 2% lower at EUR 8,876 million. Ordinary profit (excluding capital gains and extraordinary allowances) increased 9.4%.

All margins posted double digit growth. The slower pace of lending was offset by stronger business dynamism and a greater focus on managing spreads. The Group tackled the higher cost of liquidity by concentrating more on capturing deposits (+18% in 2008).

The Group's total revenues rose 14.6%, significantly faster than the growth in costs (+7.8%). As a result, the efficiency ratio improved by 2.3 p.p. to 41.9%. Net operating income increased 19.5%.

The economic downturn is reflected in an increase in provisions, non-performing loans (NPL ratio of 2.04%) and a decline in coverage (91%). Nevertheless, the Group still has EUR 6,181 million of generic provisions.

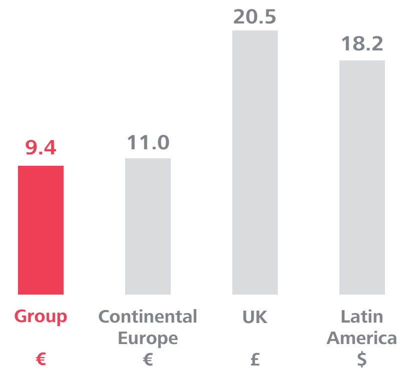
At the end of 2008, the Bank had a core capital ratio of 7.5% after the capital increase of EUR 7,195 million with preferred subscription rights for shareholders. By increasing its solvency and maintaining a comfortable liquidity position, Santander was able to increase lending by 10% to EUR 621,348 million.

Geographic and business areas

- Continental Europe's profit was EUR 4,908 million. The profits of the main business units increased 10.1%, with good growth in Spain's networks and in the most recurring revenues and maintaining strict control of costs.
- In the UK, Abbey registered notable growth in revenues. Its profit was EUR 1,247 million (+20.5% in sterling). In a very competitive market, Abbey's banking activity increased solidly.
- The Group's profit in Latin America was EUR 2,945 million after incorporating EUR 228 million from Banco Real (only Q408). In dollars, the currency in which Latin America is managed, profit rose 18.2%.
- Retail banking business contributed 85% of the Group's earnings. Despite the difficult situation in the financial markets, Global Wholesale Banking did well in customer revenues.

Grupo Santander attributable profit

% change 2008/2007, currency of management

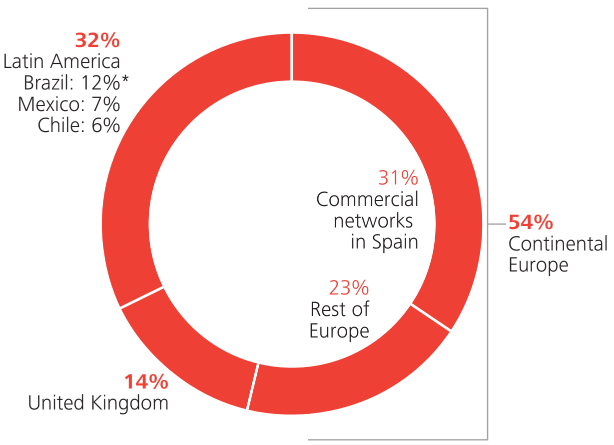


Santander in the world

Geographic positioning

Santander is geographically well diversified

Ordinary attributable profit by geographical areas*
2008



* In the calculation of Brazil's share, only three months of Banco Real's results were considered.

Continental Europe

The largest bank in the euro zone by market value and profits

Branches	5,998
Employees	48,467
Loans*	323,911
Managed customer funds*	294,608
Attributable profit*	4,908

* Millions of euros.

Banco Santander is present in 16 countries in Continental Europe. Its 5,998 branches tend to more than 25 million customers. In Spain, Santander is the retail and private banking leader, through its two networks (Santander and Banesto), and the specialised private bank Banif. In Portugal, Santander Totta is the leading private-sector bank by profits. Santander Consumer has leadership positions in consumer finance in Germany, Spain, Italy, Portugal and the Nordic countries.

Santander's business model in Continental Europe is very customer-focused. Particular attention is paid to efficiency and prudence in risks, as a result of which recurring revenues are generated with controlled costs and non-performing loan levels are better than those of its competitors.

United Kingdom
The third largest bank in the UK by deposits

Branches	1,303
Employees	24,379
Loans*	202,244
Managed customer funds*	227,271
Attributable profit*	1,247

* Millions of euros.

Santander is the second biggest bank in the UK by mortgages and the third in deposits. It has 25 million customers. Its retail banking model, based on business strength, a wide range of innovative products and services and very low growth in costs, is enabling it to grow much faster than the market's average and become a leading bank in the country.

Grupo Santander stepped up its presence in the UK by acquiring Alliance & Leicester and the branch network and retail deposits of Bradford & Bingley. These acquisitions brought forward Abbey's expansion plan by three years. These two banks, moreover, complement Santander's geographic positioning in the UK and give the Bank a stronger presence in the segment for SMEs.

Americas
Santander is the leading financial franchise in Latin America

Branches	6,089
Employees	96,405
Loans*	92,684
Managed customer funds*	169,186
Attributable profit*	2,945

* Millions of euros.

Santander has been present in Latin America for more than 60 years, supporting economic and financial development. The Group's franchise covers nine countries and it has leadership positions in those with the greatest potential: Brazil, Mexico and Chile.

With the incorporation of Banco Real in 2008, Grupo Santander Brazil becomes the third largest bank by deposits and the second by loans, with 3,603 branches and 21.9 million customers*.

Santander enters the US retail banking market
The acquisition of Sovereign Bancorp has given Santander since January 2009 a significant presence in the north east of the US, through 747 branches and more than two million customers.

*Corresponds to the total number of clients, both accountholders and non-accountholders.

1

2

Santander in the world

Key Group figures

Balance sheet and income statement

Million euros	2008	2007	%	2006
Total assets	1,049,632	91,915	15.0	833,873
Customer loans (net)	621,348	565,477	9.9	523,346
Managed customer funds	825,116	784,995	5.1	739,223
Shareholders' funds	63,768	51,945	22.8	40,062
Total managed funds	1,168,355	1,063,892	9.8	1,000,996
Net interest income (excluding dividends)	18,078	14,882	21.5	12,076
Gross operating income	31,042	27,095	14.6	22,333
Net operating income	17,729	14,842	19.5	11,218
Ordinary attributable profit to the Group (1)	8,876	8,111	9.4	6,582
Attributable profit to the Group	8,876	9,060	-2.0	7,596

Ratios

%	2008	2007	2006
Efficiency ratio including amortization	41.86	44.22	4.56
ROA (1)	1.00	0.98	0.88
RoRWA (1)	1.85	1.76	1.60
ROE (1)	17.07	19.61	18.54
BIS ratio (3)	12.2	12.7	12.5
Tier 1 (3)	8.7	7.7	7.4
Core capital (3)	7.2	6.2	5.9
Non-performing loan (NPL) ratio	2.04	0.95	0.78
NPL coverage	91	151	187

The share and capitalization

	2008	2007	2006
Number of shares in circulation (million)	7,994	6,254	6,254
Share price (euros)	6.75	13.79	13.18
Market capitalization (million euros)	53,960	92,501	88,436
Ordinary attributable profit per share (euros) (2)	1.2207	1.1924	0.9822
Attributable profit per share (euros) (2)	1.2207	1.3320	1.1334
Diluted ordinary attributable profit per share (euros) (1) (2)	1.2133	1.1809	0.9772
Diluted attributed profit per share (euros) (2)	1.2133	1.3191	1.1277
Nominal dividend per share (euros)	0.6508	0.6508	0.5206
Book value per share (euros) (2)	6.60	7.34	6.41
Price/book value per share (times) (2)	1.02	1.88	2.06
PER (share price/attributable ordinary profit per share) (times) (1) (2)	5.53	11.56	13.42

Other figures

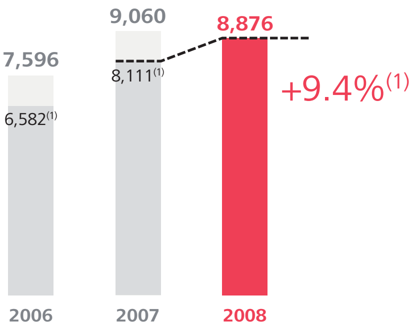
	2008	2007	2006
Number of shareholders	3,034,816	2,278,321	2,310,846
Number of employees (4)	170,961	131,819	123,731
Continental Europe	48,467	47,838	44,216
United Kingdom	24,379	16,827	17,146
Latin America	96,405	65,628	60,871
Financial Management and Equity Stakes	1,710	1,526	1,498
Number of branches (4)	13,390	11,178	10,852
Continental Europe	5,998	5,976	5,772
United Kingdom	1,303	704	712
Latin America	6,089	4,498	4,368

(1) The figures for 2006 and 2007 exclude capital gains and extraordinary allowances.
(2) The calculations for 2007 and 2008 include in the denominator the number of shares into which the "Valores Santander" will have to be converted. The figures have also been adjusted by the capital increase at the end of 2008 with preferential subscription rights.
(3) 2008 under the new Basel agreement BIS II. 2006 and 2007 under BIS I.
(4) The increase in the number of employees, shareholders and branches in 2008 is due to the incorporation of new companies to the Group.

Banco Santander's attributable profit in 2008 was EUR 8,876 million, 2% lower than in 2007. Ordinary profit, excluding capital gains, was 9.4% higher.

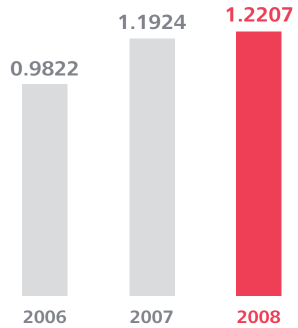
ATTRIBUTABLE PROFIT
Million Euros

-2.0%



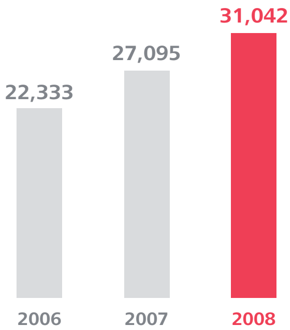
EARNINGS PER SHARE (1) (2)
Euros

+2.4%



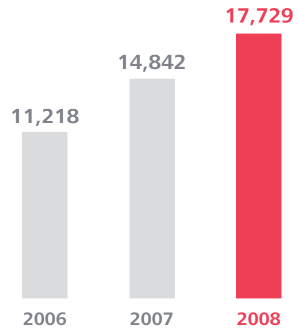
GROSS OPERATING INCOME (3)
Million Euros

+14.6%



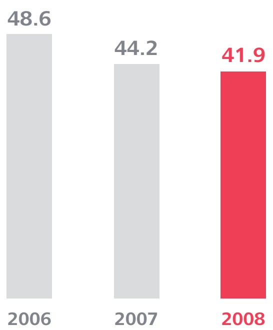
NET OPERATING INCOME
Million Euros

+19.5%



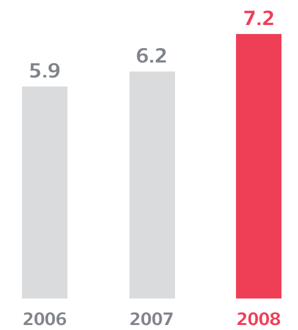
EFFICIENCY
%

-2.3 p.p.



CORE CAPITAL (4)
%

+1.0 p.p.



(1) The figures for 2006 and 2007 exclude capital gains and extraordinary allowances.
(2) The calculations for 2007 and 2008 include in the denominator the number of shares into which the "Valores Santander" will have to be converted. The figures have also been adjusted by the capital increase at the end of 2008 with preferential subscription rights.
(3) Ordinary margin = intermediation margin + services income + financial income – expenses – and amortizations.
(4) 2008 under the new Basel agreement BIS II. 2006 and 2007 under BIS I.

Banco Santander S.A. and Subsidiary Companies

Management Discussion and Analysis (MD&A)

Management Discussion and Analysis (MD&A)

Operations

Banco Santander S.A., indirectly controlled by Banco Santander, S.A., with headquarters in Spain (Banco Santander Espanha), is the lead institution of the financial and non-financial group with the Central Bank of Brazil (BACEN) and operates as a multiple service bank, conducting operations such as commercial, foreign exchange, investment, credit and financing and mortgage loan, leasing portfolios and, through related entities, insurance, pension plan, capitalization, leasing, asset management, and securities and insurance brokerage operations. Transactions are conducted within the context of a group of financial institutions that operate on an integrated basis in the financial markets.

Corporate Restructuring

On July 24, 2008, Banco Santander Spain took indirect share control of the companies of the ABN AMRO Real Group in Brazil, after meeting all conditions for this transfer of control, especially the approval of De Nederlandsche Bank (the Central Bank of the Netherlands) and the Central Bank of Brazil.

As a result of the approval of the transfer of control, starting from August 2008, Banco ABN AMRO Real S.A. (Banco Real) and ABN AMRO Brasil Dois Participações S.A. (AAB Dois Par) were incorporated into the Santander Financial and Non-Financial Conglomerates.

The Extraordinary Stockholders'' Meeting held on August 29, 2008 of Banco Santander, Banco Real and AAB Dois Par approved the corporate restructuring as defined in the Agreement and Plan of Merger of Shares of Banco ABN AMRO Real S.A. and ABN AMRO Brasil Dois Participações S.A. into Banco Santander S.A.

The above-mentioned merger agreement established the justifications and conditions for the corporate restructuring consisting of the merger of all shares of Banco Real and AAB Dois Par into Banco Santander (Merger of Shares). As a result of the merger of shares: (a) Banco Real and AAB Dois Par were converted into wholly-owned subsidiaries of Banco Santander; (b) Banco Santander’s capital was increased based on the economic value of the shares of Banco Real and AAB Dois Par from R$9,131,448 thousand to R$47,152,201 thousand and (c) shares were issued by Banco Santander and delivered to the respective stockholders of Banco Real and AAB Dois Par.

The objectives of the operation were: (a) assure the transfer of the businesses acquired by Banco Santander Spain to its subsidiary already established and in operation in Brazil - Banco Santander; (b) assure the preservation of the corporate entity of Banco Santander, Banco Real and AAB Dois Par; (c) concentrate the minority interest in these institutions only in Banco Santander.

The operation allows the rationalization and simplification of the equity structure of the companies of the Grupo Santander in Brazil and will enable the stockholders of Banco Real and AAB Dois Par to become stockholders of a publicly traded company and have access to the current dividend policy of Banco Santander.

This new structure also allows a reduction of administrative costs, especially those related to legal and regulatory requirements.

As this is an operation involving the merger of shares, the corporate entity of Banco Real and AAB Dois Par will be preserved and any variations subsequent to the date of their balance sheets were properly accounted for in their respective accounting books.

The merger of shares, according to the Significant Event published on July 30, 2008 in the newspaper Gazeta Mercantil and São Paulo State Official Gazette, was approved by Bacen on January, 2009.

Financial Statements - Santander Pro forma

To provide a better understanding of Santander’s growth in equity and results, given the incorporation of Banco Real into the Santander financial and non-financial conglomerate, we are releasing the Management Discussion & Analysis of the results, which was based on the financial information of Santander Pro forma, including the consolidation of Banco Real relating to financial years 2008 and 2007.

This information is being provided merely to allow further analysis of the balances and transactions to be better able to compare and evaluate the result, net equity and operational indices. Santander’s Pro forma financial information does not represent what may have happened if the incorporation of shares had not taken place as originally stated, nor do they correspond to Santander’s financial statements, and do not necessarily indicate any future results or performance.

The following assumptions were adopted in the preparation of the Pro forma financial information:

1. All Banco Real's assets and liabilities were consolidated as of December 31, 2007.

2. The goodwill related to the Banco Real acquisition, of R$26,334 million, and the respective amortization of R$571 million in the period under consideration, were excluded from the figures related to fixed assets and stockholders' equity.

3. The 2007 and 2008 results include the results posted by Banco Real and exclude the non-recurring results related to the sale of portfolios, equity stakes, goodwill amortization and tax credits.

4. The adjustments related to the incorporation of shares in Banco Real were not included in the Pro forma information.

Financial Data and Ratios

In million of reais, unless otherwise stated	Santander Consolidated Pro forma	
	Dec.08	Dec.07
Total Assets	315,045	276,038
Stockholders´ Equity	23,520	22,541
Net Income	2,759	2,661
Return on Equity – ROE	12.0%	12.7%
Return on Assets – ROA	0.9%	1.1%
Financial Margin (1)	6.5%	7.4%
Efficiency Ratio (2)	52.8%	57.5%
Fees coverage over Expenses (3)	63.2%	64.7%
Basel Agreement Ratio - BIS II (4)	14.7%	n.a.

(1) Financial Margin: Income from Financial Operations before the Allowance for Loan Losses/Total Average Assets (-) Average Permanent Assets.

(2) Efficiency Ratio: (Personnel Expenses + Other Administrative Expenses)/(Income from Financial Operations before the Allowance for Loan Losses + Income from Services Rendered + Income from Insurance, Pension Plan and Capitalization Operations + Tax Expenses + Other Operating Income/Expenses).

(3) Fees coverage over Expenses: Income From Services Rendered / (Personnel Expenses + Other Administrative Expenses).

(4) The Basel Agreement Ratio - BIS II, which is determined on a consolidated basis, reached 14.7% excluding the goodwill in the reference equity, as determined by international rules.

Statement of Income - Santander Pro forma

In million of reais	Santander Consolidated Pro forma		Var. % Dec.08 vs. Dec.07
	12M08	12M07	
Income from Financial Operations	44,030	32,059	37.3%
Expenses from Financial Operations	(25,183)	(13,998)	79.9%
Income from Financial Operations before the Allowance for Loan Losses	**18,847**	**18,061**	**4.4%**
Allowance for Loan Losses	(6,950)	(5,171)	34.4%
Gross Profit from Financial Operations	**11,897**	**12,890**	**-7.7%**
Income from Services Rendered and Banking Fees	8,100	7,820	3.6%
Personnel and Administrative Expenses	(12,823)	(12,077)	6.2%
Tax Expenses	(1,950)	(2,167)	-10.0%
Other Operating (Expenses)/Income	(2,465)	(3,805)	-35.2%
Net Income	**2,759**	**2,661**	**3.7%**

Santander ended 2008 with a net income of R$2,759 million, an increase of 3.7% compared to R$2,661 million in 2007. The results showed a favorable evolution in revenue related to the commercial business. On the other hand, the income from securities and derivative financial instruments contributed less to the overall result in the same period.

Management Discussion and Analysis (MD&A)

Income from lending and leasing operations increased from R$31,896 in 2008, compared to R$ 20,919 in 2007, mainly as a result of the 24.5% growth in the credit portfolio in the period and the increase in income related to credit denominated in and indexed to foreign currency due to the 31.9% depreciation of the real in 2008.

The income from financial intermediation increased by 79.9% in 2008, mainly as a result of the increase of 49.9% in the time and 21.7% in savings deposits. In addition, the depreciation of the real also contribuited to the increase of the expenses with borrowings and securities issued abroad linked to the increase in volume of such transactions.

The favorable development of business and the focus on improving the services enabled the income increase of services rendered and banking fees income in 3.6% in 2008, compared to 2007.

Personal income and other administrative expenses increased 6.2%, reflecting Santander's efforts to control spending

Allowance for Loan Losses

In million of reais	Santander Consolidated		Var. %
	Pro forma		Dec.08 vs. Dec.07
	Dec.08	Dec.07	
Balances as of January 1	**4,949**	**4,166**	**18.8%**
Allowances Recognized	6,950	5,171	34.4%
Write-offs	(5,031)	(4,385)	14.7%
Balances as of December 31	**6,868**	**4,952**	**38.7%**
Recoveries (1)	**655**	**912**	**-28.2%**

(1) Recoveries are recorded in Income from Lending and Leasing Operations.

The allowance for loan losses represented 4.9% of the total credit portfolio in 2008, compared with 4.4% in 2007. The expenses on allowance for loan losses recorded in 2008 grew 34.4% as compared to 2007, as a result of the 25.4% increase of the credit portfolio, due to the expansion in the retail portfolio.

Revenue from Services Rendered and Banking Fees

In million of reais	Santander Consolidated		Var. %
	Pro forma		Dec.08 vs. Dec.07
	12M08	12M07	
Lending operations and Guarantees provided	1,979	2,177	-9.1%
Checking account services	1,460	1,523	-4.1%
Credit cards	1,383	1,129	22.5%
Insurance	939	684	37.3%
Income from fund management	856	853	0.4%
Receiving Services - Collection, Bill, Taxes and Fees	500	478	0.0%
Securities Brokerage and Placement Services	308	449	-31.4%
Other	675	527	28.1%
Total of Revenue from Services Rendered and Banking Fees	**8,100**	**7,820**	**3.6%**

The income from services rendered and banking fees increased by 3.6%, reflecting mainly the development of the:

• credit card services, boosted by the volume increase of the credit cards emission;

• insurance, reflecting the growth of market share and development of business insurance, pension plan and capitalization.

These results were partially offset by the decrease of:

• banking fees for lending commissions and checking accounts as a consequence of the limits imposed by the new regulation of Central Bank related to tariffs charged by the banks;

• securities brokerage and placement services, due to a reduction of IPO processes and fundraising activities of Brazilian companies in the market, within the context of the external crisis.

Personnel and Administrative Expenses

In million of reais	Santander Consolidated Pro forma		Var. % Dec.08 vs. Dec.07
	12M08	12M07	
Compensation	2,907	2,846	2.1%
Charges	1,222	1,157	5.6%
Benefits	755	701	7.7%
Other	88	116	-24.1%
Total Personnel Expenses	**4,972**	**4,820**	**3.2%**
Outside and specialized services	2,938	2,718	8.1%
Depreciation and amortization	1,324	1,188	11.4%
Advertising, promotion and publicity	779	723	7.7%
Communications	616	546	12.8%
Rentals	419	375	11.7%
Transportation and travel	344	346	-0.6%
Security services	255	237	7.6%
Other	1,176	1,124	4.6%
Total Other Administrative Expenses	**7,851**	**7,257**	**8.2%**
Total Personnel and Other Administrative Expenses	**12,823**	**12,077**	**6.2%**

In 2008, Santander's infrastructure grew in line with the strategies to expand its client base and to service new customers. In addition, there was an increase in expenses, a result of the beginning of the Banco Real integration.

In this context, Santander still is striving to achieve gains in efficiency, through best efforts to control spending. In 2008, personnel expenses and other administrative expenses increased 6.2% compared to 2007. The efficiency ratio was 52.8% in 2008, compared to 57.5% in 2007.

Other administrative expenses rose 8.2% in 2008, compared to 2007, in line with the increase in the volume of commercial business. Among the largest increases were the rise in outsourced services expenses related to telemarketing and call center for credit card operations, the services related to efforts in intensify collections and the services to retain customers and improve the solutions center.

Other Operating Income (Expenses)

In million of reais, unless otherwise stated	Santander Consolidated Pro forma	
	12M08	12M07
Equity in subsidiaries and affiliates	19	(107)
Other operating (Expenses)/Income	(1,841)	(1,933)
Non-Operating expenses (income)	(179)	(425)
Income and social contribuition taxes	480	(444)
Profit sharing	(907)	(879)
Minority interest	(37)	(17)
Total	**(2,465)**	**(3,805)**

Other income (expenses) totaled a net expense of R$2,465 million in 2008 versus R$3,805 million in 2007, mainly due to the changes related to income tax and social contributions, which were particularly impacted by the reduction of the tax base and increase in revenue on taxable assets.

Management Discussion and Analysis (MD&A)

Assets and Liabilities

In million of reais	Santander Consolidated Pro forma		Var. % Dec.08 vs. Dec.07
	Dec.08	Dec.07	
Cash	5,087	3,924	29.6%
Interbank Investments	37,267	34,417	8.3%
Securities and Derivative Financial Instruments	55,824	40,231	38.8%
Credit (1)	139,410	111,979	24.5%
Allowance For Loan Losses	(6,868)	(4,953)	38.7%
Restricted Deposits Central Bank of Brazil (Compulsory Deposits)	6,950	15,158	-54.1%
Tax Credit	11,801	7,522	56.9%
Other Assets	59,106	62,599	-5.6%
Permanent Assets	6,468	5,161	25.3%
Total Assets	**315,045**	**276,038**	**14.1%**
Deposits	123,987	91,928	34.9%
Money Market Funding	30,932	39,843	-22.4%
Securities Issued Abroad	10,559	4,888	116.0%
Borrowings and Onlendings	25,530	22,858	11.7%
Subordinated Debts	9,188	6,219	47.7%
Securitization	1,816	644	182.0%
Other Liabilities	89,110	87,000	2.4%
Minority Interest	403	117	244.4%
Stockholders' Equity	23,520	22,541	4.3%
Total Liabilites and Stockholders' Equity	**315,045**	**276,038**	**14.1%**

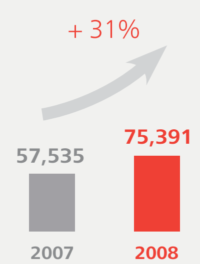
(1) Lending and leasing operations and other credits, including advances on foreign exchange contracts under determination of Central Bank of Brazil, are recorded as reductions of Other Liabilities – Foreign Exchange Portfolio.

The total assets grew 14.1% in relation to 2007, totaling R$315,045 million. Of this amount, R$55,824 million are represented by securities and derivative financial instruments, mainly federal government securities; R$139,410 million by the credit portfolio and R$37,267 million by interbank investments.

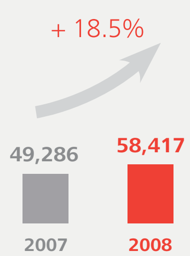
Credit Portfolio and Allowance for Losses

In million of reais	Santander Consolidated Pro forma		Var. % Dec.08 vs. Dec.07
	Dec.08	Dec.07	
Corporate	**75,391**	**57,535**	**31.0%**
Individuals	**58,417**	**49,286**	**18.5%**
Leasing and Auto Finance	23,056	20,787	10.9%
Payroll Loans	6,830	6,060	12.7%
Credit Card	6,988	5,279	32.4%
Real Estate credit notes	4,468	3,448	29.6%
Others	17,075	13,712	24.5%
Agribusiness credit notes	**5,602**	**5,158**	**8.6%**
Total	**139,410**	**111,979**	**24.5%**

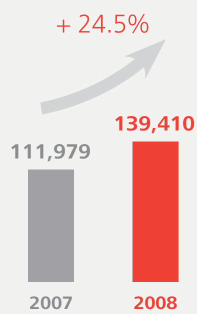
Credit to corporate
In million of Reais



Credit to individuals
In million of Reais



Total credit
In million of Reais



Credit operations increased 24.5% in relation to 2007, reaching R$139,410 million. Credit portfolio to individuals grew 18.5%. The highlight was credit card operations, which grew 32.4% over the period.

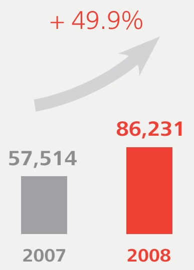
The credit portfolio to companies increased by 31.0% in 2008, mainly due to increased demand for credit to large firms due to lower accessibility to the capital market and the depreciation of the real that impacted the portfolio of foreign currency denominated and indexed credit.

Credits with AA to C ratings represented 92.7% of the total portfolio in 2008, compared to 92.5% in 2007. Credits with D to H ratings represented 7.4% of the total portfolio, compared to 7.5% in 2007. The allowance for loan losses represented 4.9% of the total credit portfolio as 2008, compared to 4.4% in 2007.

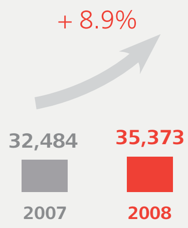
Funding Operations

In million of reais	Santander Consolidated		Var. %
	Pro forma		Dec.08 vs. Dec.07
	Dec.08	Dec.07	
Demand deposits	14,730	15,524	-5.1%
Savings deposits	20,643	16,960	21.7%
Interbank deposits	1,904	1,308	45.6%
Time deposits	86,231	57,514	49.9%
Other deposits	479	622	-23.0%
Total deposits	**123,987**	**91,928**	**34.9%**
Investment funds managed	**80,402**	**95,019**	**-15.4%**

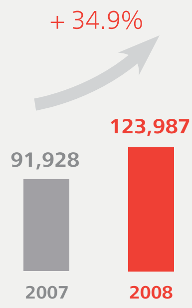
Time deposits
In million of Reais



Core Deposits
In million of Reais



Total deposits
In million of Reais



Deposits rose by 34.9% in 2008, totaling R$123,987 million, the result of the 49.9% increase in time deposits and 21.7% in savings deposits.

Investment funds decreased 15.4% in comparasion to 2007, due to the slowdown in the migration of funds and resources for applications in time and savings deposits.

Rating Agencies

Santander is rated by international rating agencies and the ratings received reflect the operating performance and the high quality of its management.

		Long term		Short term
Fitch Ratings	Support		2	
	National Scale	AAA (BRA)		F1+(BRA)
	Local Currency	BBB+		F2
	Foreign Currency	BBB		F2
Standard & Poor's	National Scale	brAAA+		brA-1
	Local Currency	BBB-		A-3
	Foreign Currency	BBB-		A-3

Banco Santander S.A. and Subsidiary Companies

Financial Statements

Banco Santander S.A. and Subsidiary Companies

Balance Sheets for the years ended december 31

In Thousands of Brazilian Reais - R$, unless otherwise stated

		Bank		Consolidated	
	Note	2008	2007	2008	2007
Current Assets		**101,355,765**	**80,306,832**	**194,149,492**	**79,387,705**
Cash	5	**2,449,760**	**1,641,665**	**5,087,316**	**1,641,705**
Interbank Investments	6	**29,452,723**	**24,757,573**	**34,076,639**	**24,749,457**
Money Market Investments		18,108,018	21,929,663	18,108,018	21,929,663
Interbank Deposits		3,024,246	1,053,306	7,223,532	1,045,190
Foreign Currency Investments		8,320,459	1,774,604	8,745,089	1,774,604
Securities and Derivative Financial Intrument	7	**17,041,998**	**15,300,972**	**26,509,181**	**14,024,674**
Own Portfolio		6,378,524	6,707,436	11,952,040	6,821,238
Subject to Resale Commitments		1,847,562	1,588,580	423,700	113,871
Derivatives		4,833,537	2,616,361	6,032,676	2,614,123
Linked to trading portfolio operations		43,944	-	-	-
Linked to Central Bank of Brazil		2,522,764	2,885,974	3,448,475	2,885,974
Privatization Certificates		-	49,879	-	49,879
Linked to Guarantees		1,415,667	1,452,742	4,652,290	1,539,589
Interbank Accounts	8	**2,641,314**	**6,089,045**	**7,365,547**	**6,089,045**
Payments and Receipts Pending Settlement		2,758	4,013	19,502	4,013
Restricted Deposits:		-	-	-	-
Central Bank of Brazil		2,540,289	5,990,805	6,949,629	5,990,805
National Housing System		95,500	88,257	106,597	88,257
Interbank onlending		-	-	270,342	-
Correspondents		2,767	5,970	19,477	5,970
Interbranch Accounts		**3,870**	**984**	**12,736**	**984**
Third-party funds in transit		3	-	1,709	-
Internal Transfers of Funds		3,867	984	11,027	984
Lending Operations	9	**27,187,614**	**20,259,501**	**68,299,297**	**20,251,589**
Public Sector		44,678	28,719	73,447	25,865
Private Sector		27,337,675	20,448,734	69,257,668	20,443,442
Allowance for Loan Losses	9.f	(194,739)	(217,952)	(1,031,818)	(217,718)
Leasing Operations	9	**215,108**	**10,374**	**4,949,455**	**214,355**
Public Sector		-	-	896	-
Private Sector		220,940	10,374	5,094,557	217,342
Allowance for Doubtful Lease Receivables	9.f	(5,832)	-	(145,998)	(2,987)
Other Receivables		**22,258,872**	**12,122,138**	**47,152,948**	**12,289,405**
Receivables for Guarantees Honored		1,495	95	4,318	95
Foreign Exchange Portfolio	10	14,744,632	8,401,776	31,365,346	8,401,776
Income Receivable		514,451	288,510	274,589	151,307
Trading Account	11	1,351,645	310,460	2,071,093	582,551
Tax Credits	12	2,295,074	1,045,318	4,700,703	1,064,481
Other	13	3,373,721	2,093,621	8,986,484	2,107,395
Allowance for Losses on Other Receivables	9,f	(22,146)	(17,642)	(249,585)	(18,200)
Other Assets		**104,506**	**124,580**	**696,373**	**126,491**
Temporary Investments		-	-	2,474	-
Other Assets	14	189,148	187,438	290,723	192,835
Allowance for Valuation	14	(148,192)	(155,438)	(178,178)	(160,835)
Prepaid Expenses		63,550	92,580	581,354	94,491
Long-Term Assets		**59,857,273**	**34,944,853**	**114,256,621**	**33,602,706**
Interbank Investments	6	**1,683,124**	**647,501**	**3,190,624**	**647,501**
Money Market Investments		-	-	18,122	-
Interbank Deposits		1,217,683	647,701	2,707,061	647,701
Foreign Currency Investments		465,641	-	465,641	-
Allowance for Losses		(200)	(200)	(200)	(200)

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	Note	Bank 2008	Bank 2007	Consolidated 2008	Consolidated 2007
Securities and Derivative Financial Intrument	7	**13,268,073**	**8,344,193**	**29,315,292**	**6,439,763**
Own Portfolio		1,042,582	1,496,746	2,178,105	1,474,696
Subject to Resale Commitments		2,291,674	2,110,168	347,347	204,554
Derivative financial instruments		2,635,150	803,951	3,492,854	802,850
Linked to Central Bank of Brazil		3,595,489	1,846,997	14,522,342	1,846,997
Privatization Certificates		1,395	1,207	1,395	1,207
Linked to Guarantees		3,701,783	2,085,124	8,773,249	2,109,459
Interbank Accounts	8	**68,492**	**64,236**	**315,392**	**64,236**
Restricted Deposits:					
National Housing		68,492	64,236	68,492	64,236
Interbank onlending		-	-	246,900	-
Lending Operations	9	**20,238,048**	**17,367,178**	**41,527,556**	**17,338,251**
Public Sector		148,163	149,126	268,797	143,415
Private Sector		22,412,077	18,751,179	46,547,322	18,727,178
Allowance for Loan Losses	9.f	(2,322,192)	(1,533,127)	(5,288,563)	(1,532,342)
Leasing Operations	9	**627,911**	**-**	**7,373,056**	**181,388**
Public Sector		-	-	1,398	-
Private Sector		631,539	-	7,610,208	184,864
Allowance for Doubtful Lease Receivables	9.f	(3,628)	-	(238,550)	(3,476)
Other Receivables		**23,867,217**	**8,435,606**	**32,193,749**	**8,842,785**
Receivables for Guarantees Honored		9,812	463	9,812	463
Foreign Exchange Portfolio	10	16,083,523	2,144,405	16,181,345	2,144,405
Income Receivable		36,876	20,026	36,876	20,026
Tax Credits	12	3,166,978	2,585,700	7,294,389	2,691,920
Other	13	4,657,975	3,713,713	8,811,045	4,017,121
Allowance for Losses on Other Receivables	9.f	(87,947)	(28,701)	(139,718)	(31,150)
Other Assets		**104,408**	**86,139**	**340,952**	**88,782**
Temporary Investments		9,687	10,067	9,696	10,075
Allowance for Losses		(647)	(647)	(655)	(655)
Prepaid Expenses		95,368	76,719	331,911	79,362
Permanent Assets		**45,197,680**	**4,222,188**	**32,229,359**	**3,046,525**
Investments		**14,984,082**	**1,288,833**	**129,117**	**110,965**
Investments in Affiliates and Subsidiaries:	16				
Domestic		14,940,503	1,268,418	21,186	19,287
Foreign		115,480	-	-	-
Other Investments		20,216	36,039	145,677	111,769
Allowance for Losses		(92,117)	(15,624)	(37,746)	(20,091)
Property and Equipment in Use	17	**2,524,321**	**1,142,120**	**3,650,334**	**1,144,218**
Real Estate		341,985	308,662	810,003	311,585
Other		3,648,950	2,169,633	5,741,067	2,170,783
Accumulated Depreciation		(1,466,614)	(1,336,175)	(2,900,736)	(1,338,150)
Intangibles Assets	18	**27,689,277**	**1,791,235**	**28,449,908**	**1,791,342**
Goodwill		26,333,931	-	26,333,931	-
Intangible Assets		3,513,677	3,043,550	9,119,684	2,554,900
Accumulated Amortization		(2,158,331)	(1,252,315)	(7,003,707)	(763,558)
Total Assets		**206,410,718**	**119,473,873**	**340,635,472**	**116,036,936**

Banco Santander S.A. and Subsidiary Companies

Balance Sheets for the years ended december 31

In Thousands of Brazilian Reais - R$, unless otherwise stated

			Bank		Consolidated
	Note	2008	2007	2008	2007
Current Liabilities		**99,308,362**	**79,400,360**	**177,036,042**	**76,142,723**
Deposits	**19.a**	**39,326,071**	**31,960,657**	**72,138,582**	**28,461,371**
Demand Deposits		5,022,049	6,257,913	14,729,644	6,251,442
Savings Deposits		8,314,895	6,288,137	20,642,679	6,288,137
Interbank Deposits		4,268,278	3,791,673	1,528,177	306,957
Time Deposits		21,342,541	15,225,667	34,758,295	15,217,568
Other Deposits		378,308	397,267	479,787	397,267
Money Market Funding	**19.b**	**16,290,597**	**20,706,678**	**23,284,879**	**20,652,082**
Own Portfolio		2,071,114	1,324,407	10,525,907	1,324,407
Third Parties		13,084,478	19,382,271	11,666,815	19,327,675
Linked to Trading Portfolio Operations		1,135,005	-	1,092,157	-
Funds from Acceptance and Issuance of Securities	**19.c**	**4,359,926**	**1,388,143**	**7,878,175**	**1,388,143**
Exchange acceptances		-	-	26,098	-
Real estate credit notes, mortgage notes, credit and similar notes		3,601,154	672,498	6,834,968	672,498
Securities Issued Abroad		758,772	715,645	1,017,109	715,645
Interbank Accounts	**8**	**181**	**656**	**49,517**	**656**
Receipts and Payments Pending Settlement		-	-	1,910	-
Correspondents		181	656	47,607	656
Interbranch Accounts		**1,328,290**	**549,172**	**2,516,657**	**549,172**
Third-Party Funds in Transit		1,327,774	548,030	2,512,498	548,030
Internal Transfers of Funds		516	1,142	4,159	1,142
Borrowings	**19.e**	**9,867,363**	**6,465,748**	**12,212,876**	**6,465,748**
Local Borrowings - Other institutions		184,583	-	352,314	-
Foreign Borrowings		9,682,780	6,465,748	11,860,562	6,465,748
Domestic Onlendings - Official Institutions	**19.e**	**1,816,380**	**1,914,972**	**2,983,867**	**1,914,972**
National treasury		-	-	8,238	-
National Economic and Social Development bank (BNDES)		880,030	991,912	1,130,147	991,912
Federal Savings and Loan Bank (CEF)		6,108	12,679	6,132	12,679
National Equipment Financing Authority (FINAME)		625,973	707,854	1,535,081	707,854
Other Institutions		304,269	202,527	304,269	202,527
Foreign Onlendings	**19.e**	**-**	**-**	**746,733**	**-**
Foreign Onlendings		-	-	746,733	-
Derivative financial instruments	**7**	**5,815,703**	**3,226,639**	**7,763,795**	**3,226,346**
Derivative financial instruments		5,815,703	3,226,639	7,763,795	3,226,346
Other Payables		**20,503,851**	**13,187,695**	**47,460,961**	**13,484,233**
Collected Taxes and Other		31,804	23,912	86,625	23,912
Foreign Exchange Portfolio	10	13,066,728	6,828,883	27,263,121	6,828,883
Social and Statutory		1,478,893	1,527,849	1,852,488	1,528,152
Tax and Social Security	20	184,085	156,927	1,414,571	191,726
Trading Account	11	1,276,502	177,881	2,092,179	447,327
Subordinated Debts	21	2,824	2,140	97,391	2,140
Technical reserves for insurance, pension plan and capitalization operations	22.a	-	-	3,830,060	-
Other	23	4,463,015	4,470,103	10,824,526	4,462,093
Long-Term Liabilities		**58,214,456**	**30,693,189**	**114,280,194**	**30,550,671**
Deposits	**19.a**	**19,113,026**	**10,973,892**	**51,848,721**	**10,405,516**
Interbank Deposits		-	211,639	376,139	2,714
Time Deposits		19,113,026	10,762,253	51,472,582	10,402,802
Money Market Funding	**19.b**	**2,065,829**	**2,462,758**	**7,647,425**	**2,462,758**
Own Portfolio		2,065,829	2,462,758	7,647,425	2,462,758

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	Note	Bank 2008	Bank 2007	Consolidated 2008	Consolidated 2007
Funds from Acceptance and Issuance of Securities	**19.c**	**857,584**	**773,114**	**2,680,540**	**773,114**
Exchange acceptances		-	-	122,350	-
Real estate credit notes, mortgage notes, credit and similar notes		48,645	-	50,416	-
Securities Issued Abroad		808,939	773,114	2,507,774	773,114
Borrowings	**19.e**	**1,566,449**	**816,788**	**2,194,326**	**816,788**
Local Borrowings – Other institutions		-	-	232,181	-
Foreign Borrowings		1,566,449	816,788	1,962,145	816,788
Domestic Onlendings - Official Institutions	**19.e**	**2,451,194**	**2,465,420**	**4,856,375**	**2,465,420**
National treasury		-	-	11,032	-
National Economic and Social Development bank (BNDES)		1,500,617	1,399,071	2,029,498	1,399,071
Federal Savings and Loan Bank (CEF)		7,704	14,979	7,820	14,979
National Equipment Financing Authority (FINAME)		939,954	1,016,137	2,805,106	1,016,137
Other Institutions		2,919	35,233	2,919	35,233
Foreign Onlendings	**19.e**	**-**	**-**	**2,536,011**	**-**
Foreign Onlendings		-	-	2,536,011	-
Derivative financial instruments	**7**	**2,632,890**	**1,340,916**	**3,851,488**	**1,337,785**
Derivative financial instruments		2,632,890	1,340,916	3,851,488	1,337,785
Other Payables		**29,527,484**	**11,860,301**	**38,665,308**	**12,289,290**
Foreign Exchange Portfolio	10	15,588,163	2,149,532	15,686,369	2,149,532
Social and Statutory		-	-	177,641	-
Tax and Social Security	20	3,407,572	3,402,599	8,150,053	3,746,898
Trading Account	11	125	41,597	125	41,597
Subordinated Debts	21	5,526,905	4,217,485	9,091,051	4,217,485
Other	23	5,004,719	2,049,088	5,560,069	2,133,778
Deferred Income		**94,015**	**78,892**	**162,269**	**78,892**
Deferred Income		94,015	78,892	162,269	78,892
Minority Interest		**-**	**-**	**400,410**	**57**
Stockholders' Equity	**25**	**48,793,885**	**9,301,432**	**48,756,557**	**9,264,593**
Capital:					
Brazilian Residents		1,008,603	159,848	1,008,603	159,848
Foreign Residents		46,143,598	8,171,600	46,143,598	8,171,600
Capital Reserves		922,130	22,130	922,130	22,130
Profit Reserves		693,275	605,416	693,275	605,416
Adjustment to Fair Value - Securities and Derivatives		26,279	342,438	(13,920)	342,438
Retained Earnings/Accumulated Deficit		-	-	2,871	(36,839)
Total Liabilities and Stockholders' Equity		**206,410,718**	**119,473,873**	**340,635,472**	**116,036,936**

The accompanying notes are an integral part of these financial statements.

Banco Santander S.A. and Subsidiary Companies

Statements of income for the periods ended december

In Thousands of Brazilian Reais - R$, unless otherwise stated

		Bank			Consolidated	
	Note	Second half 2008	2008	2007	2008	2007
Financial Income		**13,450,632**	**20,512,167**	**14,552,913**	**30,354,954**	**14,376,991**
Lending Operations		8,344,089	12,456,167	7,834,678	21,082,871	7,935,791
Leasing Operations		50,824	51,079	2,065	717,653	57,375
Securities Transactions	7	4,348,499	6,526,486	6,087,091	7,737,760	5,753,307
Derivatives		(309,112)	(67,657)	299,913	(3,563,643)	301,352
Income from insurance, pension plan and capitalization operations		-	-	-	106,762	-
Foreign Exchange Operations		777,433	1,081,246	(47,313)	3,597,395	(47,313)
Compulsory Investments		238,899	464,846	376,479	676,156	376,479
Financial Expenses		**(11,458,079)**	**(16,043,535)**	**(8,947,148)**	**(23,449,635)**	**(8,527,921)**
Funding Operations	19.d	(6,648,099)	(9,618,784)	(6,559,456)	(12,677,687)	(6,145,942)
Borrowings and Onlendings		(3,283,163)	(3,621,777)	(297,504)	(6,323,541)	(297,504)
Adjustment of interest on technical reserves for insurance, pension plan and capitalization		-	-	-	(77,667)	-
Allowance for Loan Losses	9.f	(1,526,817)	(2,802,974)	(2,090,188)	(4,370,740)	(2,084,475)
Gross Profit From Financial Operations		**1,992,553**	**4,468,632**	**5,605,765**	**6,905,319**	**5,849,070**
Other Operating (Expenses) Income		**(1,651,680)**	**(3,139,684)**	**(3,499,195)**	**(5,652,424)**	**(3,914,864)**
Income from Services Rendered	28	1,574,000	3,045,357	3,471,595	4,250,300	3,741,419
Income from banking fees	29	305,026	669,018	-	1,123,932	-
Income from insurance, pension plan and capitalization operations	22.b	-	-	-	53,775	-
Personnel Expenses	30	(924,272)	(1,854,091)	(1,893,425)	(3,004,485)	(1,913,672)
Other Administrative Expenses	31	(2,230,603)	(3,720,339)	(3,031,855)	(5,416,887)	(3,074,577)
Tax Expenses	32	(392,889)	(793,960)	(803,920)	(1,172,912)	(845,569)
Investments in Affiliates and Subsidiaries	16	852,933	1,028,971	514,107	5,640	2,950
Other Operating Income	33	513,830	795,661	418,417	1,612,317	456,148
Other Operating Expenses	34	(1,349,705)	(2,310,301)	(2,174,114)	(3,104,104)	(2,281,563)

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				Bank		Consolidated
	Note	Second half 2008	2008	2007	2008	2007
Income From Operations		**340,873**	**1,328,948**	**2,106,570**	**1,252,895**	**1,934,206**
Nonoperating (Expenses) Income	**35**	**(25,686)**	**(53,151)**	**188,756**	**11,586**	**495,128**
Income Before Taxes On Income and Profit Sharing		**315,187**	**1,275,797**	**2,295,326**	**1,264,481**	**2,429,334**
Income and Social Contribution Taxes	**36**	**682,325**	**717,018**	**(57,202)**	**973,341**	**(170,780)**
Provision for Income Tax		(410,996)	(442,177)	(130,424)	(864,636)	(232,493)
Provision for Social Contribution Tax		(236,735)	(355,567)	(100,782)	(480,849)	(137,614)
Deferred Tax Credits		1,330,056	1,514,762	174,004	2,318,826	199,327
Profit Sharing		**(249,036)**	**(451,911)**	**(400,176)**	**(639,172)**	**(413,155)**
Income Before Minority Interest		**748,476**	**1,540,904**	**1,837,948**	**1,598,650**	**1,845,399**
Minority Interest		-	-	-	(18,037)	(3)
Net Income	**25.d**	**748,476**	**1,540,904**	**1,837,948**	**1,580,613**	**1,845,396**
Number of Shares (Thousands)	25.a	325,758,283	325,758,283	132,768,479		
Earnings per Thousand Shares (R$)		2,30	4,73	13,84		

The accompanying notes are an integral part of these financial statements.

Banco Santander S.A. and Subsidiary Companies

Statements of changes in stockholders' equity for the periods ended december 31

In Thousands of Brazilian Reais - R$, unless otherwise stated

	Note	Capital	Capital increase	Capital reserves
Balances as of December 31, 2006		**6,831,448**	**-**	**24,747**
Capital increase	25.a	1,500,000	-	-
Adjustment to fair value - securities and derivative financial instruments		-	-	-
Stock exchange memberships		-	-	(2,617)
Reserve for equalization of dividends from retained earnings	25.c	-	-	-
Proposed/paid supplementary dividens based on the reserve for dividend equalization	25.b	-	-	-
Net income		-	-	-
Allocations:				
Legal reserve		-	-	-
Proposed dividends	25.b	-	-	-
Reserve for dividend equalization		-	-	-
Interest on capital	25.b	-	-	-
Balances as of December 31, 2007		**8,331,448**	**-**	**22,130**
Capital increase	25.a	800,000	38,020,753	900,000
Adjustment to fair value - securities and derivative financial instruments		-	-	-
Proposed/paid supplementary dividens based on the reserve for dividend equalization	25.b	-	-	-
Net income		-	-	-
Allocations:				
Legal reserve		-	-	-
Proposed dividends	25.b	-	-	-
Reserve for dividend equalization	25.c	-	-	-
Interest on capital	25.b	-	-	-
Balances as of December 31, 2008		**9,131,448**	**38,020,753**	**922,130**
Balances as of June 30, 2008		**8,331,448**	**784,832**	**22,130**
Capital increase	25.a	800,000	37,220,753	900,000
Capital to realize	25.a	-	15,168	-
Adjustment to fair value - securities and derivative financial instruments		-	-	-
Proposed/paid supplementary dividens based on the reserve for dividend equalization	25.b	-	-	-
Net income		-	-	-
Allocations:				
Legal reserve		-	-	-
Proposed dividends	25.b	-	-	-
Reserve for dividend equalization	25.c	-	-	-
Interest on capital	25.b	-	-	-
Balances as of December 31, 2008		**9,131,448**	**38,020,753**	**922,130**

The accompanying notes are an integral part of these financial statements

Profit reserves		Adjustment to fair value			
Legal capital	Reserve for dividend equalization	Position own	Affiliates and subsidiaries	Retained earnings	Total
510,474	**375,945**	**125,622**	**5,845**	**145,817**	**8,019,898**
-	-	-	-	-	1,500,000
-	-	216,818	(5,847)	-	210,971
-	-	-	-	-	(2,617)
-	145,817	-	-	(145,817)	-
-	(521,762)	-	-	-	(521,762)
-	-	-	-	1,837,948	1,837,948
91,897	-	-	-	(91,897)	-
-	-	-	-	(1,215,406)	(1,215,406)
-	3,045	-	-	(3,045)	-
-	-	-	-	(527,600)	(527,600)
602,371	**3,045**	**342,440**	**(2)**	**-**	**9,301,432**
-	-	-	-	-	39,720,753
-	-	(214,485)	(101,674)	-	(316,159)
-	(3,045)	-	-	-	(3,045)
-	-	-	-	1,540,904	1,540,904
77,045	-	-	-	(77,045)	-
-	-	-	-	(970,000)	(970,000)
-	13,859	-	-	(13,859)	-
-	-	-	-	(480,000)	(480,000)
679,416	**13,859**	**127,955**	**(101,676)**	**-**	**48,793,885**
641,992	**755,852**	**63,081**	**50,251**	**-**	**10,649,586**
-	-	-	-	-	38,920,753
-	-	-	-	-	15,168
-	-	64,874	(151,927)	-	(87,053)
-	(3,045)	-	-	-	(3,045)
-	-	-	-	748,476	748,476
37,424	-	-	-	(37,424)	-
-	-	-	-	(970,000)	(970,000)
-	(738,948)	-	-	738,948	-
-	-	-	-	(480,000)	(480,000)
679,416	**13,859**	**127,955**	**(101,676)**	**-**	**48,793,885**

Banco Santander S.A. and Subsidiary Companies

Statements of cash flow for the periods ended december 31

In Thousands of Brazilian Reais - R$, unless otherwise stated

	Note	Bank second half 2008	Bank 2008	Bank 2007	Consolidated 2008	Consolidated 2007
Net Income		**748,476**	**1,540,904**	**1,837,948**	**1,580,613**	**1,845,396**
Adjustement net income		**727,335**	**2,088,144**	**1,982,146**	**4,666,456**	**2,151,823**
Allowance for loan losses	9.f	1,526,817	2,802,974	2,090,188	4,370,740	2,084,475
Deferred tax credits		(851,959)	(892,705)	(7,247)	(1,063,848)	(33,508)
Equity in affiliates and subsidiaries	16	(852,933)	(1,028,971)	(514,107)	(5,640)	(2,950)
Depreciation and amortization	31	915,647	1,222,932	619,708	1,396,401	619,864
Provision for adjustment of residual cost of deferred charges	35	-	-	294,551	-	294,551
Allowance for losses on other assets	35	(5,657)	(8,416)	(12,258)	(10,462)	(13,470)
Gain (loss) on sale of other assets	35	(13,620)	(16,403)	(13,116)	(16,838)	(19,361)
Impairment of assets	34	11,362	11,362	-	74,262	-
Gain (loss) on sale of other investments	35	(2,251)	(3,199)	(474,747)	(90,847)	(773,720)
Minority interest		-	-	-	18,037	-
Other		(71)	570	(826)	(5,349)	(4,058)
Changes on assets and liabities		**(232,472)**	**14,906**	**14,703,965**	**(693,226)**	**14,487,236**
Decrease (increase) in interbank investments		(6,968,396)	(4,505,079)	(2,766,199)	2,093,013	(2,773,798)
Decrease (increase) in securities and derivative financial instruments		(799,004)	(3,613,462)	21,726,261	(1,829,159)	22,051,104
Decrease (increase) in lending and leasing operations		(9,545,455)	(13,432,015)	(7,293,634)	(22,040,971)	(7,327,698)
Decrease (increase) in deposits on Central Bank of Brazil		4,121,418	3,450,516	(1,257,826)	9,601,431	(1,257,826)
Decrease (increase) in other receivables		(19,153,197)	(23,532,248)	(5,318,786)	(27,582,051)	(5,321,308)
Decrease (increase) in other assets		49,699	1,805	(30,187)	170,875	(34,472)
Net change on interbank and interbranch accounts		306,980	768,716	(420,258)	952,680	(420,258)
Increase (decrease) in deposits		7,157,849	15,504,548	7,812,979	13,054,763	7,074,503
Increase (decrease) in money market funding		559,541	(4,813,010)	(2,440,809)	(8,265,029)	(2,359,868)
Increase (decrease) in funds from acceptance and issuance of securities		1,197,699	3,301,108	481,069	4,487,160	481,069
Increase (decrease) in borrowings and onlendings		4,570,091	4,038,458	1,702,287	6,013,302	1,702,287
Increase (decrease) in other liabilities		18,250,316	22,830,446	2,471,698	22,644,811	2,636,131
Increase (decrease) in change in deferred income		19,987	15,123	37,370	5,949	37,370
Net cash provided by (used in) operating activities		**1,243,339**	**3,643,954**	**18,524,059**	**5,553,843**	**18,484,455**
Investing activities						
Acquisition of investment		(48,152)	(48,557)	(2,684)	(8,086)	(25,400)
Acquisition of property and equipment in use		(1,766,930)	(1,959,840)	(326,858)	(2,103,308)	(326,858)
Acquisition of Intangible assets		(346,510)	(586,833)	(1,414,591)	(723,012)	(1,414,593)
Net cash received on acquisition of subsidiary		-	-	-	2,076,292	-
Net cash received on sale of investments		2,251	14,568	692,741	154,250	1,010,490
Proceeds from assets not in use		44,214	74,430	98,472	186,176	105,929
Proceeds from property in use		186,968	348,732	108,880	452,245	108,880
Dividends and interest on capital received		130,835	135,682	264,134	1,598	-
Net cash provided by (used in) investing activities		**(1,797,324)**	**(2,021,818)**	**(579,906)**	**36,155**	**(541,552)**
Financing activities						
Capital increase		15,168	800,000	607,043	800,000	607,043
Increase in subordinated debts		658,088	1,310,104	183,586	1,528,147	183,586
Paid dividends and interest on capital		(263,495)	(1,698,451)	(900,010)	(1,502,647)	(900,010)
Increase (decrease) on minority interest			-	-	(6,899)	-
Net cash provided by (used in) financing activities		**409,761**	**411,653**	**(109,381)**	**818,601**	**(109,381)**
Increase (decrease) in cash and cash equivalents		**(144,224)**	**2,033,789**	**17,834,772**	**6,408,599**	**17,833,522**
Beginning of period	5	24,030,337	21,852,324	4,017,552	21,852,364	4,018,842
End of period	5	23,886,113	23,886,113	21,852,324	28,260,963	21,852,364

The accompanying notes are an integral part of these financial statements.

Banco Santander S.A. and Subsidiary Companies

Statements of value added years ended december 31, 2008 and 2007

In Thousands of Brazilian Reais - R$, unless otherwise stated

	Note	Bank 2008		Bank 2007		Consolidated 2008		Consolidated 2007	
Gross Value Added									
Financial income		20,512,167		14,552,913		30,354,954		14,376,991	
Income from services rendered and Income from insurance, pension plan and capitalization operations		3,714,375		3,471,595		5,428,007		3,741,419	
Allowance for loan losses	9.f	(2,802,974)		(2,090,188)		(4,370,740)		(2,084,475)	
Other Assets and Liabilities		(1,556,429)		(1,566,941)		(1,405,939)		(1,330,287)	
Financial Expenses		(13,240,561)		(6,856,960)		(19,078,895)		(6,443,446)	
Third-party input		(2,334,389)		(2,247,261)		(3,832,946)		(2,290,007)	
Materials and Utilities		(108,363)		(92,662)		(239,755)		(100,628)	
Outside and specialized services	31	(723,551)		(994,773)		(1,067,460)		(1,016,188)	
Impairment of assets		(11,362)		-		(74,262)		-	
Other		(1,491,113)		(1,159,826)		(2,451,469)		(1,173,191)	
Gross Added Value		**4,292,189**		**5,263,158**		**7,094,441**		**5,970,195**	
Retention									
Depreciation and amortization	31	(1,222,932)		(619,708)		(1,396,401)		(619,864)	
Added Value Produced		**3,069,257**		**4,643,450**		**5,698,040**		**5,350,331**	
Added Value Received from Transfer									
Investments in Affiliates and Subsidiaries	16	1,028,971		514,107		5,640		2,950	
Added Value to Distribute		**4,098,228**		**5,157,557**		**5,703,680**		**5,353,281**	
Added Value Distribution									
Employee		2,043,099	49.8%	2,029,161	39.4%	3,200,535	56.1%	2,059,575	38.4%
Compensation	30	1,074,966		1,114,920		1,756,447		1,125,880	
Benefits	30	331,199		317,044		477,655		320,834	
Goverment Severance Indemnity Funds for Employees - FGTS		105,367		103,980		179,501		105,113	
Other		531,567		493,217		786,932		507,748	
Taxes		339,845	8.3%	1,125,562	21.8%	642,693	11.3%	1,283,601	23.9%
Federal		161,096		956,683		380,826		1,100,385	
State		288		156		328		170	
Municipal		178,461		168,723		261,539		183,046	
Remunaration of third part - rental	31	174,380	4.3%	164,886	3.2%	261,802	4.6%	164,706	3.1%
Remunaration of interest on capital		1,540,904	37.6%	1,837,948	35.6%	1,598,650	28.0%	1,845,399	34.6%
Interest on capital		480,000		1,215,406		480,000		1,215,406	
Dividends		970,000		527,600		970,000		527,600	
Profit reinvestment		90,904		94,942		130,613		102,390	
Participation results of minority of shareholders		-		-		18,037		3	
Total		**4,098,228**	**100.0%**	**5,157,557**	**100.0%**	**5,703,680**	**100.0%**	**5,353,281**	**100.0%**

The accompanying notes are an integral part of these financial statements.

Banco Santander S.A. and Subsidiary Companies
Notes to the financial statements as of december 31

In Thousands of Brazilian Reais - R$, unless otherwise stated

1. Operations

Banco Santander S.A., indirectly controlled by Banco Santander, S.A., with headquarters in Spain (Banco Santander Espanha), is the lead institution of the financial and non- financial group with the Central Bank of Brazil, established as a corporation, with main offices at Rua Amador Bueno, 474, Santo Amaro, São Paulo, and operates as a multiple service bank, conducting operations such as commercial, foreign exchange, investment, credit and financing and mortgage loan, leasing portfolios and, through related entities, insurance, pension plan, capitalization, leasing, asset management, and securities and insurance brokerage operations. Transactions are conducted within the context of a group of financial institutions that operate on an integrated basis in the financial markets.

2. Corporate Restructuring

On July 24, 2008, Banco Santander, S.A., headquartered in Spain (Banco Santander Spain), took indirect share control of the companies of the ABN AMRO Real Group in Brazil, after meeting all conditions for this transfer of control, especially the approval of De Nederlandsche Bank (the Central Bank of the Netherlands) and the Central Bank of Brazil.

As a result of the approval of the transfer of control, Banco ABN AMRO Real S.A. (Banco Real) and ABN AMRO Brasil Dois Participações S.A. (AAB Dois Par) were incorporated into the Santander Financial and Non-Financial Conglomerates, with the aim of consolidating the investments in Brazil.

The Extraordinary Stockholders'' Meeting held on August 29, 2008 of Banco Santander, Banco Real and AAB Dois Par approved the corporate restructuring as defined in the Agreement and Plan of Merger of Shares of Banco ABN AMRO Real S.A. and ABN AMRO Brasil Dois Participações S.A. into Banco Santander S.A. (Merger Agreement).

The above-mentioned merger agreement established the justifications and conditions for the corporate restructuring consisting of the merger of all shares of Banco Real and AAB Dois Par into Banco Santander (Merger of Shares). As a result of the merger of shares: (a) Banco Real and AAB Dois Par were converted into wholly-owned subsidiaries of Banco Santander, according to article 252 of Law Nº. 6404/76; (b) Banco Santander's capital was increased based on the economic value of the shares of Banco Real and AAB Dois Par from R$9,131,448 thousand to R$47,152,201 thousand and (c) shares were issued by Banco Santander and delivered to the respective stockholders of Banco Real and AAB Dois Par.

The goodwill accrued based on the August 31, 2008 data related to the acquisition of Banco Real and AAB Dois Par was R$26,333,931.

The objectives of the operation are: (a) assure the transfer of the businesses acquired by Banco Santander Spain to its subsidiary already established and in operation in Brazil - Banco Santander; (b) assure the preservation of the corporate entity of Banco Santander, Banco Real and AAB Dois Par; (c) concentrate the minority interest in these institutions only in Banco Santander.

The operation allows to rationalize and simplify the equity structure of the companies of the Grupo Santander in Brazil and will enable the stockholders of Banco Real and AAB Dois Par to become stockholders of a publicly traded company and have access to the current dividend policy of Banco Santander.

This new structure also allows a reduction of administrative costs, especially those related to legal and regulatory requirements.

As this is an operation involving the merger of shares, the corporate entity of Banco Real and AAB Dois Par were preserved and any variations subsequent to the date of their balance sheets were properly accounted for in their respective accounting books.

The merger of shares, according to the Significant Event published on July 30, 2008 in the newspaper Gazeta Mercantil and São Paulo State Official Gazette, was approved by Bacen on January, 2009.

The Consolidated Balance Sheet Data of Banco Real and AAB Dois Par and their respectively subsidiaries as of August 31, 2008 is presented below. Such details are intended to provide a position of impacts associated with this property acquisition.

	31 de agosto de 2008
Current and Long-term Assets	**148,988,991**
Cash	2,076,292
Interbank Investments	11,000,330
Securities and Derivatives	28,132,325
Interbank and Interbranch Accounts	11,920,469
Lending and Leasing Operations	70,565,239
Allowance for Loan Losses	(3,974,009)
Other Receivables and Other Assets	29,268,345
Permanent Assets	**2,001,707**
Total Assets	**150,990,698**
Current and Long-term Liabilities	**137,911,557**
Deposits	72,050,296
Money Market Funding	16,082,493
Funds from Acceptance and Issuance of Securities	4,155,153
Interbank and Interbranch Accounts	1,843,294
Borrowings, Domestic Onlendings - Official Institutions and Foreign Onlendings	7,853,958
Technical Reserves for Insurance, Pension Plan and Capitalization	3,315,043
Other Payables	32,611,320
Deferred Income	**77,428**
Minority Interest	**389,215**
Stockholders' Equity	**12,612,498**
Total Liabilities	**150,990,698**

3. Presentation of Financial Statements

The financial statements of Banco Santander S.A., which include its foreign branches (Bank) and the consolidated financial statements of the Bank and its subsidiaries (Consolidated) indicated in Note 16 have been prepared in accordance with accounting practices established by Brazilian Corporate Law and standards established by the National Monetary Council (CMN), the Central Bank of Brazil and the Brazilian Securities Commission (CVM), the National Council of Private Insurance (CNSP) and the Superintendency of Private Insurance (SUSEP). It was adopted for report of financial the approved regulations from CVM related to international accounting convergence process that does not conflict with the rules of CMN and BACEN.

In the preparation of the consolidated financial statements, equity in subsidiaries, significant balances arising from transactions among domestic branches, foreign branches and subsidiaries, and unrealized profits between these entities have been eliminated. Minority interest is recorded in a separate caption in stockholders' equity and in the statements of income. The balances stated in the jointly-owned subsidiaries' balance sheets and statements of income were consolidated in proportion to the interest in the subsidiary.

The information of the leasing transactions has been reclassified, in order to reflect its financial position in the consolidated financial statements in conformity with the financial method of accounting for leasing operations.

For a better comparability of the financial statements, certain reclassifications have been made from Deferred Charges and Prepaid Expenses - Rights for Acquisition of Payrolls to Intangible Assets and Property and Equipment, and from Other Payables – Other - Agribusiness Credit Bills - LCA to Funds from Acceptance and Issuance of Securities, related to the balances for the period ended December 31, 2007, to conform them to the accounting procedures/classifications adopted in 2008.

As a result of the corporate restructuring mentioned in Note 2 and in accordance with current legislation, the consolidated financial information are presented compared with the data of the previous periods, which do not include the assets, liabilities or results of Banco Real, so that the analysis of the evolution of financial information is limited.

The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the reporting periods. Since Management's judgment involves making estimates concerning the likelihood of future events, actual amounts could differ from those estimates.

4. Significant Accounting Practices

a) Results of Operations

Determined on the accrual basis of accounting and includes income, charges and monetary or exchange variations earned or incurred through the balance sheet date, on a daily pro rata basis.

b) Financial Statement Translation

The functional currency used for the operations of the branches abroad is the real. The assets and liabilities are substantially monetary items and are converted by exchange rates at the end of the period, the non-monetary items are measured at cost history and the results are converted by the average exchange rates for the period.

The exchange effects of the operations of the branches abroad are located on the lines of statement of income, according to their assets and liabilities which resulted it. The application of this practice was adopted in this prospective, in accordance with CVM Deliberation 534, and therefore were not reclassified to other operating expenses results from exchange rate of the branches abroad for the year ended December 31, 2007.

c) Current and Long-Term Assets and Liabilities

Stated at their realizable or settlement amounts, respectively, and include income, charges and monetary or exchange variations earned or incurred through the balance sheet date, determined on a daily pro rata basis. When applicable, allowances for valuation are recorded to reflect market or realizable values. The allowance for loan losses is based on analyses of outstanding lending operations (past-due and current), past experience, future expectations, and specific portfolio risks, as well as on the risk assessment policy of the Bank's management for recognition of allowances, including requirements of the National Monetary Council (CMN) and Central Bank of Brazil.

Receivables and payables due within 12 months are recorded in current assets and liabilities, respectively, except for trading securities that, regardless of their maturity, are classified in current assets, in conformity with Central Bank of Brazil Circular 3068/2001.

d) Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents correspond to the balances of cash and applications interbank investments with immediate convertibility in to cash or with original maturity of more than ninety days.

e) Securities

Securities are presented in accordance with the following recognition and accounting valuation criteria:
I - Trading securities.
II - Available-for-sale securities.
III - Held-to-maturity securities.

"Trading securities" include securities acquired for the purpose of being actively and frequently traded and "Held-to-maturity securities" include those which the Bank intends to maintain in its portfolio to maturity. "Available-for-sale securities" include those which cannot be classified in categories I and III. Securities classified in categories I and II are stated at cost plus income earned through the balance sheet date, calculated on a daily pro rata basis, and adjusted to fair value, reflecting the increase or decrease arising from this adjustment in:

(1) The related income or expense account, in income for the period, when related to securities classified as "Trading securities", net of tax effects; and

(2) Separate caption in stockholders' equity, when related to securities classified as "Available-for-sale securities", net of tax effects. The adjustments to fair value on sale of these securities are transferred to income for the period.

Securities classified as "Held-to-maturity securities" are stated at cost, plus income earned through the balance sheet date, calculated on a daily pro rata basis, and recorded in income for the period; provisions for losses are recognized whenever there are permanent losses on the realizable value of these securities.

f) Derivatives

Derivatives are classified according to Management's intent to use them for hedging or not. Transactions made at customers' request, on own account, or that to not meet the criteria for hedge accounting, especially derivatives used to manage the global risk exposure, are reported at fair value, with realized and unrealized gains and losses included in income for the period.

Derivatives designated as hedge may be classified as:

I - Market risk hedge.
II - Cash flow hedge.

Derivatives designated as hedge and the respective hedged items are adjusted to fair value, considering the following:

(1) For those classified in category I, the increase or decrease is recorded in income or expense for the period, net of tax effects; and

(2) For those classified in category II, the increase or decrease is recorded in a separate caption in stockholders' equity, net of tax effects.

g) Prepaid Expenses

Funds used in advance payments, whose benefits or provision of services will occur in future years, are recorded as "prepaid expenses" and allocated to income over the term of the respective agreements.

h) Permanent Assets

Stated at acquisition cost and include:

h.1) Investments
Adjustments to investments in affiliates and subsidiaries are determined under the equity method of accounting and recorded as investments in affiliates and subsidiaries. Other investments are stated at cost, reduced to fair value, when applicable.

h.2) Property and Equipment
Depreciation of property and equipment is determined under the straight-line method at the following annual rates: buildings - 4%, installations, furniture, equipment in use, communication and security systems - 10%, and data processing systems and vehicles - 20% and leasehold improvements - 10% or considering the benefit period of the terms of rental contracts.

h.3) Intangible assets
Goodwill on acquisition of subsidiaries is amortized over 10 years, based on expected future earnings and is tested for impairment annually or more frequently if conditions or circumstances indicate an impairment.

Goodwill on marger and the related reduction account, reserve for maintenance of integrity of the merging entity's stockholders' equity, are amortized over a period of up to 10 years, based on expected future earnings.

Exclusivity contracts for provision of banking services are accrued the payments related to the commercial partnership contracts with the private and public sectors to assure exclusivity for banking services of payroll credit processing and payroll loans, maintenance of collection portfolio, supplier payment services and other banking services, allocated to income over the term of the respective agreements.

Acquisition and development of software are amortized over a maximum period of 5 years.

i) Technical reserves for insurance, pension plan and capitalization operations

i.1) Insurance and pension plan
Technical reserves are recognized in conformity with the provisions and criteria established by CNSP, which are consistent with the technical guidance notes and actuarial valuation data annually provided to Susep. Adjustment for inflation and interest credited to the reserves, when applicable, are accounted for as expenses on adjustment of and interest on technical reserves for insurance, pension plan and capitalization operations.

The unearned premium reserve and the unexpired risk reserve consist of the portions of premiums retained and the net contribution, respectively, for the period of the unelapsed risks, calculated under the daily pro rata method, considering the risks in force not yet written. The unearned premium reserve and the unexpired risk reserve for retrocession operations are recognized based on information received from IRB Brasil Resseguros S.A.

The reserve for unsettled claims corresponds to the best estimate of the insurer of the net recovery amount payable, determined based on the claim notices received through the balance sheet date, adjusted for inflation pursuant to prevailing legislation.

The IBNR reserve is recognized to face claims incurred but not yet reported.

The reserves represent the amounts of obligations assumed under annuity pension plans and lump-sum pensions and are calculated under the financial method provided for in contract, by and under the responsibility of an accredited actuary, registered with the Brazilian Actuary Institute (IBA). The unvested benefits reserve and the vested benefits reserve represent the present value of future benefits, estimated based on actuarial assumptions and interest rates when using the capitalization financial regime. The unvested benefits reserve refers to the participants whose benefit payments has not yet started while the vested benefits reserve refers to the participants whose benefit payments has already started.

The purpose of the contribution deficiency reserve is to recognize the difference determined between the reserve calculation using the technical bases of the AT-2000 Male Biometric Table, which is similar to the experience of the insurer's Supplementary Pension Plans, and the reserve calculation using the technical bases set forth by an Actuarial Guidance Note, if positive. The purpose of the financial fluctuation reserve is to avoid possible future deficits and recognize in advance future results arising from the mismatch of both inflation indices on benefit payment and the guaranteed interest rate of the reserves of the Supplementary Pension Plans. The estimate used for the reinvestment rate of long-term interest is 4%.

The financial charges credited to the reserves are classified as expenses on adjustment of and interest on technical reserves for insurance, pension plan and capitalization operations.

The reserve for future policy benefits corresponds to the total amount of the vested and unpaid lump-sums arising from events occurred, including the adjustment for inflation of the vested amount.

The reserve for surrenders and/or other future policy benefits covers the amounts allocated to the refund of contributions/premiums and surrenders and/or transfers requested but not yet paid, as well as the amounts of surrenders whose right has not yet been exercised in the cases where a participant's contract is canceled.

The premium deficiency reserve shall be recognized when it is determined that the premium amount received will not be sufficient to cover all the expenses related to future commitments already assumed. This reserve results from the difference between the amount of future expenses and the amount of future revenue estimated on the calculation date.

The supplementary premium reserve shall be calculated and recognized monthly to supplement the unearned premium reserve and the unexpired risk reserve already recognized, considering the risks in force and not written.

The risk fluctuation reserve is recognized to cover possible departures from expected commitments on the risk coverage offered by the Supplementary Pension Plans.

The financial surplus reserve corresponds to the financial surplus amounts to be credited to the participants, and is calculated when this benefit is prescribed.

The reserve for administrative expenses corresponds to the estimated expenses on the payment of current and future benefits of the supplementary pension and life insurance (VGBL) plans created by the Insurer.

i.2) Capitalization
The technical reserve for capitalization operations is determined by a percentage applied to the amounts received from underwriters, as established in the technical actuarial note of each product and in the general conditions of each proposal and may be redeemed under the conditions described in the respective capitalization certificate. Adjustment for inflation and interest credited to technical reserves are recorded as expenses on adjustment of and interest on Technical Reserves for Insurance, Pension Plan and Capitalization Operations.

j) Pension Plan

The actuarial liabilities related to pension plans are recorded based on an actuarial study made by independent actuaries, by the end of each period and used in the following period, in accordance with CVM Resolution 371/2000.

Expenses related to sponsors' contributions to the plans are recognized on the accrual basis.

k) Contingent Assets and Liabilities and Legal Obligations

k.1) Contingent Assets
Contingent assets are not recorded, except when there are real guarantees or unappealable court decisions, for which a favorable outcome is practically certain. Contingent assets whose likelihood of favorable outcome is probable, if any, are only disclosed in the financial statements.

k.2) Contingent Liabilities
Contingent liabilities are recorded based on the nature, complexity and history of lawsuits, and on the opinion of the in-house and outside legal counsel when the risk of loss on the administrative or judicial proceeding is considered as probable and the amounts can be reasonably determined.

k.3) Legal Obligations - Tax and Social Security
Refer to judicial and administrative proceedings related to tax and social security obligations challenging their legality or constitutionality which, regardless of the assessment of the likelihood of a favorable outcome, have their amounts fully recorded in the financial statements.

l) Deferred Income

Refers to income received before the completion of the term of the obligation that gave rise to it, including non-refundable income, mainly related to guarantees and collaterals provided and credit card annual fees. Deferred income is recorded in income over the term of the respective agreements.

m) Income and Social Contribution Taxes

Income tax is calculated at the rate of 15% plus a 10% surtax; social contribution tax is calculated at the rate of 15% (9% in 2007 and the period from January 1st to April 30, 2008) for financial institutions, and for non-financial companies the social contribution tax rate is 9%, after adjustments determined by tax legislation. Deferred tax assets and liabilities are computed basically on certain temporary differences between the book and tax basis of assets and liabilities, tax losses, and adjustments to fair value of securities and derivatives.

In accordance with the current regulation, the expected realization of the Bank's tax credits, as shown in Note 12, is based on the projection of future income and a technical study.

n) Impairment Valuation

From July 1st 2008, the non-financial assets are subject to the annual impairment test or more frequently if conditions or circumstances indicate the possibility of losing its values.

5. Cash and Cash Equivalents

		Bank		Consolidated
	2008	2007	2008	2007
Cash	**2,449,760**	**1,641,665**	**5,087,316**	**1,641,705**
Interbank investments	**21,436,353**	**20,210,659**	**23,173,647**	**20,210,659**
Money market investments	12,857,439	18,347,855	12,857,439	18,347,855
Interbank deposits	258,455	88,200	687,952	88,200
Foreign currency investments	8,320,459	1,774,604	9,628,256	1,774,604
Total	**23,886,113**	**21,852,324**	**28,260,963**	**21,852,364**

6. Interbank Investments

					Bank
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Money market investments	**16,158,661**	**1,949,357**	**-**	**18,108,018**	**21,929,663**
Own portfolio	**3,700,727**	**446,190**	**-**	**4,146,917**	**2,484,862**
Treasury bills - LFT	11	-	-	11	417,315
National Treasury bills - LTN	668,696	-	-	668,696	1,005,216
National Treasury notes - NTN	2,999,111	446,190	-	3,445,301	966,696
Securities issued abroad by the Brazilian government	3,154	-	-	3,154	95,635
Other	29,755	-	-	29,755	-
Third-party portfolio	**12,132,549**	**831,653**	**-**	**12,964,202**	**19,444,801**
Treasury bills - LFT	1,002,293	-	-	1,002,293	11,654,363
National Treasury bills - LTN	4,651,878	-	-	4,651,878	7,790,438
National Treasury notes - NTN	6,478,378	831,653	-	7,310,031	-
Sold Position	**325,385**	**671,514**	**-**	**996,899**	**-**
National Treasury notes - NTN	325,385	671,514	-	996,899	-
Interbank deposits	**843,248**	**2,180,998**	**1,217,683**	**4,241,929**	**1,701,007**
Foreign currency investments	**8,320,459**	**-**	**465,641**	**8,786,100**	**1,774,604**
Allowance for losses	**-**	**-**	**(200)**	**(200)**	**(200)**
Total	**25,322,368**	**4,130,355**	**1,683,124**	**31,135,847**	**25,405,074**
Current				**29,452,723**	**24,757,573**
Long-term				**1,683,124**	**647,501**
					Consolidated
Money market investments	**16,158,661**	**1,949,357**	**18,122**	**18,126,140**	**21,929,663**
Own portfolio	**5,121,027**	**446,190**	**18,122**	**5,585,339**	**2,539,458**
Treasury bills - LFT	44,344	-	-	44,344	417,315
National Treasury bills - LTN	668,696	-	-	668,696	1,059,812
National Treasury notes - NTN	4,375,078	446,190	-	4,821,268	966,696
Securities issued abroad by the Brazilian government	3,154	-	-	3,154	95,635
Other	29,755	-	18,122	47,877	-
Third-party portfolio	**10,712,249**	**831,653**	**-**	**11,543,902**	**19,390,205**
Treasury bills - LFT	957,959	-	-	957,959	11,654,363
National Treasury bills - LTN	4,651,878	-	-	4,651,878	7,735,842
National Treasury notes - NTN	5,102,412	831,653	-	5,934,065	-
Sold Position	**325,385**	**671,514**	**-**	**996,899**	**-**
National Treasury notes - NTN	325,385	671,514	-	996,899	-
Interbank deposits	**2,119,236**	**5,104,296**	**2,707,061**	**9,930,593**	**1,692,891**
Foreign currency investments	**8,745,089**	**-**	**465,641**	**9,210,730**	**1,774,604**
Allowance for losses	**-**	**-**	**(200)**	**(200)**	**(200)**
Total	**27,022,986**	**7,053,653**	**3,190,624**	**37,267,263**	**25,396,958**
Current				**34,076,639**	**24,749,457**
Long-term				**3,190,624**	**647,501**

7. Securities and Derivatives

a) Securities

I) By Category

					Bank
				2008	2007
		Effect of adjustment to fair value on:		Carrying	Carrying
	Cost	Income	Equity	amount	amount
Trading securities	**9,066,829**	**(39,939)**	**-**	**9,026,890**	**10,595,913**
TGovernment Securities	6,697,754	52,624	-	6,750,378	8,302,845
Private Securities	2,369,075	(92,563)	-	2,276,512	2,293,068
Available-for-sale securities	**12,785,372**	**-**	**185,698**	**12,971,070**	**8,862,375**
Government Securities	7,786,206	-	122,875	7,909,081	4,750,664
Private Securities	4,999,166	-	62,823	5,061,989	4,111,711
Held-to-maturity securities	**843,424**	**-**	**-**	**843,424**	**766,565**
Government Securities	843,424	-	-	843,424	766,565
Subtotal	**22,695,625**	**(39,939)**	**185,698**	**22,841,384**	**20,224,853**
Derivatives (Assets)	**5,829,283**	**1,639,404**	**-**	**7,468,687**	**3,420,312**
Total Securities and Derivatives	**28,524,908**	**1,599,465**	**185,698**	**30,310,071**	**23,645,165**
Current				**17,041,998**	**15,300,972**
Long-term				**13,268,073**	**8,344,193**
Derivatives (Liabilities)	**(6,589,622)**	**(1,858,971)**	**-**	**(8,448,593)**	**(4,567,555)**
Current				**(5,815,703)**	**(3,226,639)**
Long-term				**(2,632,890)**	**(1,340,916)**

					Consolidated
				2008	2007
		Effect of adjustment to fair value on:		Carrying	Carrying
	Cost	Income	Equity	amount	amount
Trading securities	**13,731,612**	**9,244**	**-**	**13,740,856**	**9,245,868**
Government Securities	9,870,637	101,807	-	9,972,444	8,368,816
Private Securities	1,276,083	(92,563)	-	1,183,520	877,052
Investment fund shares for guarantee of PGBL/VGBL benefit plans	2,584,892	-	-	2,584,892	-
Available-for-sale securities	**30,959,486**	**-**	**103,393**	**31,062,879**	**7,035,031**
Government Securities	26,183,373	-	237,331	26,420,704	4,851,243
Private Securities	4,776,113	-	(133,938)	4,642,175	2,183,788
Held-to-maturity securities	**1,495,208**	**-**	**-**	**1,495,208**	**766,565**
Government Securities	1,290,935	-	-	1,290,935	766,565
Private Securities	204,273	-	-	204,273	-
Total Securities	**46,186,306**	**9,244**	**103,393**	**46,298,943**	**17,047,464**
Derivatives (Assets)	**8,483,960**	**1,041,570**	**-**	**9,525,530**	**3,416,973**
Total Securities and Derivatives	**54,670,266**	**1,050,814**	**103,393**	**55,824,473**	**20,464,437**
Current				**26,509,181**	**14,024,674**
Long-term				**29,315,292**	**6,439,763**
Derivatives (Liabilities)	**(9,753,900)**	**(1,861,383)**	**-**	**(11,615,283)**	**(4,564,131)**
Current				**(7,763,795)**	**(3,226,346)**
Long-term				**(3,851,488)**	**(1,337,785)**

II) Trading Securities

				Bank
			2008	2007
Trading Securities	Cost	Adjustment to fair value – income	Carrying amount	Carrying amount
Government Securities	**6,697,754**	**52,624**	**6,750,378**	**8,302,845**
Treasury certificates - CFT	50,964	14	50,978	40,876
National Treasury bills - LTN	2,308,334	11,424	2,319,758	3,160,082
Treasury bills - LFT	1,093,787	(125)	1,093,662	637,699
National Treasury notes - NTN B	2,160,174	47,328	2,207,502	2,777,109
National Treasury notes - NTN C	23,177	(546)	22,631	679,940
National Treasury notes - NTN D	-	-	-	17,278
National Treasury notes - NTN F	792,842	(581)	792,261	678,918
Agricultural debt securities - TDA	213,808	(4,890)	208,918	191,444
Global bonds	54,668	-	54,668	119,499
Private Securities	**2,369,075**	**(92,563)**	**2,276,512**	**2,293,068**
Shares	254,339	(101,340)	152,999	301,156
Receivables Investment Fund (1)	248,776	-	248,776	280,812
Investment fund shares	102,532	-	102,532	10
Debentures	1,763,428	8,777	1,772,205	1,665,157
Eurobonds	-	-	-	23,905
Certificates of real estate receivables - CRI	-	-	-	22,028
Total	**9,066,829**	**(39,939)**	**9,026,890**	**10,595,913**

						Bank
						2008
Trading Securities by maturity	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Total
Government Securities	**-**	**696,950**	**2,028,881**	**777,990**	**3,246,557**	**6,750,378**
Treasury certificates - CFT	-	-	-	-	50,978	50,978
National Treasury bills - LTN	-	602,820	1,319,820	397,118	-	2,319,758
Treasury bills - LFT	-	4,479	387,896	46,484	654,803	1,093,662
National Treasury notes - NTN B	-	15,964	250,586	177,965	1,762,987	2,207,502
National Treasury notes - NTN C	-	361	-	-	22,270	22,631
National Treasury notes - NTN F	-	42,265	-	90,407	659,589	792,261
Agricultural debt securities - TDA	-	29,227	70,559	66,016	43,116	208,918
Global bonds	-	1,834	20	-	52,814	54,668
Private Securities	**255,531**	**15,436**	**4,723**	**174,569**	**1,826,253**	**2,276,512**
Shares	152,999	-	-	-	-	152,999
Receivables Investment Fund (1)	-	15,436	-	110,916	122,424	248,776
Investment fund shares	102,532	-	-	-	-	102,532
Debentures	-	-	4,723	63,653	1,703,829	1,772,205
Total	**255,531**	**712,386**	**2,033,604**	**952,559**	**5,072,810**	**9,026,890**

Trading Securities	Cost	Adjustment to fair value – equity	2008 Carrying amount	2007 Carrying amount
				Consolidated
Government Securities	**9,870,637**	**101,807**	**9,972,444**	**8,368,816**
Treasury certificates - CFT	50,964	14	50,978	40,876
National Treasury bills - LTN	3,937,314	12,553	3,949,867	3,160,082
Treasury bills - LFT	1,366,373	(205)	1,366,168	703,670
National Treasury notes - NTN B	2,160,174	47,328	2,207,502	2,777,109
National Treasury notes - NTN C	23,177	(546)	22,631	679,940
National Treasury notes - NTN D	-	-	-	17,278
National Treasury notes - NTN F	1,676,168	34,199	1,710,367	678,918
Agricultural debt securities - TDA	213,870	(4,890)	208,980	191,444
Global Bonds	442,597	13,354	455,951	119,499
Private Securities	**1,276,083**	**(92,563)**	**1,183,520**	**877,052**
Shares	255,992	(101,340)	154,652	301,156
Receivables Investment Fund - FIDC (1)	248,776	-	248,776	280,812
Investment fund shares in Participation - FIP	102,532	-	102,532	10
Investment fund shares	590,298	-	590,298	83,445
Debentures	78,485	8,777	87,262	165,696
Eurobonds	-	-	-	23,905
Certificates of real estate receivables - CRI	-	-	-	22,028
Investment fund shares for guarantee of PGBL/VGBL benefit plans	**2,584,892**	**-**	**2,584,892**	**-**
Total	**13,731,612**	**9,244**	**13,740,856**	**9,245,868**

Trading Securities by maturity	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Total
						Consolidated 2008
Government Securities	**-**	**2,379,982**	**2,453,505**	**850,616**	**4,288,341**	**9,972,444**
Treasury certificates - CFT	-	-	-	-	50,978	50,978
National Treasury bills - LTN	-	2,203,106	1,322,673	424,088	-	3,949,867
Treasury bills - LFT	-	87,225	408,368	92,109	778,466	1,366,168
National Treasury notes - NTN B	-	15,964	250,586	177,965	1,762,987	2,207,502
National Treasury notes - NTN C	-	361	-	-	22,270	22,631
National Treasury notes - NTN F	-	42,265	-	90,407	1,577,695	1,710,367
Agricultural debt securities - TDA	-	29,227	70,575	66,047	43,131	208,980
Global Bonds	-	1,834	401,303	-	52,814	455,951
Private Securities	**847,482**	**15,436**	**4,723**	**174,569**	**141,310**	**1,183,520**
Shares	154,652	-	-	-	-	154,652
Receivables Investment Fund - FIDC (1)	-	15,436	-	110,916	122,424	248,776
Investment fund shares in Participation - FIP	102,532	-	-	-	-	102,532
Investment fund shares	590,298	-	-	-	-	590,298
Debentures	-	-	4,723	63,653	18,886	87,262
Investment fund shares for guarantee of PGBL/VGBL benefit plans	**2,584,892**	**-**	**-**	**-**	**-**	**2,584,892**
Total	**3,432,374**	**2,395,418**	**2,458,228**	**1,025,185**	**4,429,651**	**13,740,856**

III) Available-for-sale Securities

				Bank
			2008	2007
Available-for-sale securities	Cost	Adjustment to Fair Value – Equity	Carrying amount	Carrying amount
Government Securities	**7,786,206**	**122,875**	**7,909,081**	**4,750,664**
National Treasury bonus - BTN	-	-	-	1,820
Treasury certificates - CFT	71,320	7,227	78,547	63,001
Securitized credit	928	467	1,395	51,086
National Treasury bills - LTN	3,186,639	24,733	3,211,372	283,141
Treasury bills - LFT	261,265	(532)	260,733	1,219
National Treasury notes - NTN A	153,523	(38,186)	115,337	113,969
National Treasury notes - NTN B	1,948,017	(92,204)	1,855,813	1,198,639
National Treasury notes - NTN C	562,803	236,652	799,455	747,555
National Treasury notes - NTN F	1,601,406	(15,266)	1,586,140	2,286,163
National Treasury notes - NTN P	98	(16)	82	72
Agricultural debt securities - TDA	207	-	207	3,999
Private Securities	**4,999,166**	**62,823**	**5,061,989**	**4,111,711**
Shares	299,091	48,697	347,788	1,095,337
Debentures	2,800,341	12,320	2,812,661	2,555,449
Eurobonds	231,581	-	231,581	2,032
Promissory notes - NP	1,447,819	-	1,447,819	221,129
Real estate credit notes - CCI	24,947	-	24,947	-
Certificates of real estate receivables - CRI	195,387	1,806	197,193	237,764
Total	**12,785,372**	**185,698**	**12,971,070**	**8,862,375**

						Bank
						2008
Available-for-sale securities by maturity	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Total
Government Securities	**-**	**293,655**	**894,681**	**3,493,629**	**3,227,116**	**7,909,081**
Treasury certificates - CFT	-	-	-	-	78,547	78,547
Securitized credit	-	-	-	-	1,395	1,395
National Treasury bills - LTN	-	200,000	260,420	2,750,952	-	3,211,372
Treasury bills - LFT	-	-	-	-	260,733	260,733
National Treasury notes - NTN A	-	-	875	-	114,462	115,337
National Treasury notes - NTN B	-	2,653	633,181	209,733	1,010,246	1,855,813
National Treasury notes - NTN C	-	12,744	-	-	786,711	799,455
National Treasury notes - NTN F	-	78,257	-	532,943	974,940	1,586,140
National Treasury notes - NTN P	-	-	-	-	82	82
Agricultural debt securities - TDA	-	1	205	1	-	207
Private Securities	**347,788**	**81,658**	**1,543,914**	**438,314**	**2,650,315**	**5,061,989**
Shares	347,788	-	-	-	-	347,788
Debentures	-	33,950	96,339	438,314	2,244,058	2,812,661
Eurobonds	-	186	4	-	231,391	231,581
Promissory notes - NP	-	10,368	1,437,451	-	-	1,447,819
Real estate credit notes - CCI	-	-	-	-	24,947	24,947
Certificates of real estate receivables - CRI	-	37,154	10,120	-	149,919	197,193
Total	**347,788**	**375,313**	**2,438,595**	**3,931,943**	**5,877,431**	**12,971,070**

Available-for-sale securities	Cost	Adjustment to fair value – equity	2008 Carrying amount	2007 Carrying amount
				Consolidated
Government Securities	**26,183,373**	**237,331**	**26,420,704**	**4,851,243**
National Treasury bonus - BTN	-	-	-	1,820
Treasury certificates - CFT	71,320	7,227	78,547	63,001
Securitized credit	928	467	1,395	51,086
National Treasury bills - LTN	14,390,631	64,951	14,455,582	283,141
Treasury bills - LFT	651,430	1,008	652,438	101,798
National Treasury notes - NTN A	153,523	(38,186)	115,337	113,969
National Treasury notes - NTN B	2,183,220	(101,290)	2,081,930	1,198,639
National Treasury notes - NTN C	562,803	236,652	799,455	747,555
National Treasury notes - NTN F	8,168,530	66,509	8,235,039	2,286,163
National Treasury notes - NTN M	683	9	692	-
National Treasury notes - NTN P	98	(16)	82	72
Agricultural debt securities - TDA	207	-	207	3,999
Private Securities	**4,776,113**	**(133,938)**	**4,642,175**	**2,183,788**
Shares	709,694	(130,937)	578,757	1,095,337
Receivables Investment Fund - FIDC [(1)]	27,773	-	27,773	-
Investment fund shares in Participation - FIP	14,519	1,179	15,698	-
Debentures	1,112,501	(4,315)	1,108,186	627,526
Eurobonds	231,581	-	231,581	2,032
Promissory notes - NP	1,993,534	(4,628)	1,988,906	221,129
Bank certificates of deposits - CDB	100,150	-	100,150	-
Real estate credit notes - CCI	24,947	-	24,947	-
Certificates of real estate receivables - CRI	552,888	4,352	557,240	237,764
Agribusiness receivables certificates - CDCA	8,051	411	8,462	-
Others	475	-	475	-
Total	**30,959,486**	**103,393**	**31,062,879**	**7,035,031**

Available-for-sale securities by maturity	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Total
						Consolidated 2008
Government Securities	**-**	**2,603,270**	**1,120,257**	**12,522,785**	**10,174,392**	**26,420,704**
Treasury certificates - CFT	-	-	-	-	78,547	78,547
Securitized credit	-	-	-	-	1,395	1,395
National Treasury bills - LTN	-	2,472,347	353,480	11,620,839	8,916	14,455,582
Treasury bills - LFT	-	37,268	131,824	4,343	479,003	652,438
National Treasury notes - NTN A	-	-	875	-	114,462	115,337
National Treasury notes - NTN B	-	2,653	633,181	284,968	1,161,128	2,081,930
National Treasury notes - NTN C	-	12,744	-	-	786,711	799,455
National Treasury notes - NTN F	-	78,257	-	612,634	7,544,148	8,235,039
National Treasury notes - NTN M	-	-	692	-	-	692
National Treasury notes - NTN P	-	-	-	-	82	82
Agricultural debt securities - TDA	-	1	205	1	-	207
Private Securities	**578,757**	**115,591**	**2,186,877**	**737,558**	**1,023,392**	**4,642,175**
Shares [(1)]	578,757	-	-	-	-	578,757
Receivables Investment Fund - FIDC [(1)]	-	-	27,773	-	-	27,773
Investment fund shares in Participation - FIP	-	-	-	-	15,698	15,698
Debentures	-	42,393	165,611	668,719	231,463	1,108,186
Eurobonds	-	186	4	-	231,391	231,581
Promissory notes - NP	-	10,368	1,978,538	-	-	1,988,906
Bank certificates of deposits - CDB	-	25,015	4,831	41,953	28,351	100,150
Real estate credit notes - CCI	-	-	-	-	24,947	24,947
Certificates of real estate receivables - CRI	-	37,154	10,120	26,886	483,080	557,240
Agribusiness receivables certificates - CDCA	-	-	-	-	8,462	8,462
Others	-	475	-	-	-	475
Total	**578,757**	**2,718,861**	**3,307,134**	**13,260,343**	**11,197,784**	**31,062,879**

(1) Receivables Investment Fund (FIDC) shares are calculated based on the value of the receivables and other financial assets in the respective portfolios, less respective provisions that take into consideration aspects related to the debtors, their guarantors and the corresponding transaction's characteristics, according to accounting standards and practices for evaluating credits, and are not adjusted to fair value.

IV) Held-to-maturity securities

				Bank
				2008
	2008	2007		by Maturity
	Cost/carrying	Cost/carrying	Up to	Over
Held-to-maturity securities [1]	amount	amount	3 months	3 years
Government Securities	**843,424**	**766,565**	**19,875**	**823,549**
National Treasury notes - NTN C	843,424	766,565	19,875	823,549
Total	**843,424**	**766,565**	**19,875**	**823,549**

		Consolidated
	2008	2007
	Cost/carrying	Cost/carrying
Títulos Mantidos até o Vencimento [1]	amount	amount
Government Securities	**1,290,935**	**766,565**
National Treasury notes - NTN B	109,580	-
National Treasury notes - NTN C	1,152,039	766,565
National Treasury notes - NTN I	26,728	-
National Treasury notes - NTN M	2,313	-
Agricultural debt securities - TDA	275	-
Private Securities	**204,273**	**-**
Debentures	91,709	-
Securitization Debts	1,699	-
Bank certificates of deposits - CDB	16,649	-
Credit Linked Notes	94,216	-
Total	**1,495,208**	**766,565**

					Consolidated
					2008
	Up to	From 3 to	From 1 to	Over	
Held-to-maturit Held-to-maturity securities [1]	3 months	12 months	3 years	3 years	Total
Government Se Government Securities	**23,024**	**11,057**	**11,928**	**1,244,926**	**1,290,935**
National Treasury notes - NTN B	-	-	-	109,580	109,580
National Treasury notes - NTN C	19,875	-	-	1,132,164	1,152,039
National Treasury notes - NTN I	3,149	8,469	11,928	3,182	26,728
National Treasury notes - NTN M	-	2,313	-	-	2,313
Agricultural debt securities - TDA	-	275	-	-	275
Private Securities	**2,355**	**94,461**	**107,457**	**-**	**204,273**
Debentures	-	-	91,709	-	91,709
Securitization Debts	1,699	-	-	-	1,699
Bank certificates of deposits - CDB	656	245	15,748	-	16,649
Credit Linked Notes	-	94,216	-	-	94,216
Total	**25,379**	**105,518**	**119,385**	**1,244,926**	**1,495,208**

(1) The fair value of Held-to-Maturity Securities, R$1,244,349 in the Bank and R$1,956,670 in the Consolidated (2007 - R$1,163,274 Bank and Consolidated).

During the fourth quarter of 2008, Banco Real transferred R$80,693 related to Certificates of Real Estate Receivables - CRI from "Held-to-Maturity" to "Available-for-Sale".

In accordance with Central Bank of Brazil Circular 3068/2001, article 8,Santander has the positive intent and ability to hold to maturity the securities classified as Held-to- Maturity Securities.

The fair value of securities is computed based on the average quotation on organized markets and their estimated cash flows, discounted to present value using the applicable interest rate, which are considered representative of the market conditions at the balance sheet date.

The principal interest rates are obtained from futures and swap contracts traded on the BM&F Bovespa - Securities, Commodities and Futures Exchange (BM&FBovespa). Adjustments to these curves are made whenever certain points are considered illiquid or when, for unusual reasons, they do not fairly represent market conditions.

V) Financial Income - Securities Transactions

		Bank		Consolidated
	2008	2007	2008	2007
Income from fixed-income securities	4,525,787	3,958,055	5,233,676	3,611,671
Income from interbank investments	2,245,160	2,122,317	2,657,283	2,118,466
Income from variable-income securities	(284,340)	(52,440)	(215,121)	(43,243)
Other	39,879	59,159	61,922	66,413
Total	**6,526,486**	**6,087,091**	**7,737,760**	**5,753,307**

b) Derivatives

Santander operates according to global policies, classified based on the risk appetite of the Grupo Santander in Spain, aligned with the objectives in Brazil and worldwide, taking into consideration the guidance of the Board of Directors and in compliance with Bacen regulation and good international practices, to hedge capital and ensure the profitability of business.

Santander's risk management is guided by principles such as independence and collegiate decisions, and is present in its policies, procedures and goals.

Credit risk is the exposure to losses in the event of default by a counterparty. Credit risk management is intended to provide insight to define strategies and set limits, covering the analysis of exposures and trends, as well as the efficiency of the credit policy.

Operating risk is the probability of financial losses resulting from failures or flaws in people, processes and systems or any other adverse market conditions. Operating risk management and control are intended to ensure the efficiency of the Internal Control system, and prevent, mitigate and reduce risks and losses.

Market risk is the exposure to risks such as interest rates, exchange rates, prices of goods, prices in the stock market and others according to the type of product, volume of operations, term and conditions of the agreement and underlying volatility. Market risk management uses practices that include measuring and following up on the use of limits previously set in internal committees, the value at risk of portfolios, the sensitivities to fluctuations in interest rates, foreign exchange exposure, liquidity gaps, among other practices that permit monitoring risks that might impact the Bank's portfolio positions in the different marketplaces where it operates.

In this context, Santander uses derivatives, recorded in balance sheet and memorandum accounts, to minimize the market risks of the Bank's overall exposure, resulting from its operation.

The fair value of swaps is computed based on the estimated cash flows of each position, discounted to present value according to the applicable interest rate curves, considered as representative of the market conditions at the balance sheet date.

For options, Santander adopts statistical models that consider the volatility of the asset price and interest rates representative of the market conditions at the balance sheet date.

The principal interest rates are obtained from futures and swap agreements traded on the BM&FBovespa. Adjustments to these curves are made whenever certain points are considered illiquid or when due to unusual reasons, they do not fairly represent market conditions.

The exposure to credit risk in futures contracts is minimized by daily settlement. Swap agreements are subject to credit risks in the event the counterparty is unable or unwilling to fulfill its contractual obligations.

I) Derivatives recorded in memorandum and balance sheets

						Bank
			2008			2007
			Trading			Trading
	Notional	Cost	Fair Value	Notional	Cost	Fair Value
Swap		**(854,963)**	**(799,964)**		**318,192**	**315,831**
Asset	**72,531,467**	**11,575,390**	**11,854,580**	**56,839,989**	**11,637,567**	**11,631,619**
CDI (interbank deposit rates)	28,206,918	5,450,602	5,471,960	28,070,002	7,082,460	7,039,360
Fixed interest rate - R$	6,401,816	4,982,884	5,255,863	4,536,786	2,977,752	3,007,407
Fixed interest rate - foreign currency (1)	10,251,678	-	-	4,305,455	1,577,355	1,584,852
Indexed to price and interest rates	9,293,497	-	-	11,172,837	-	-
Indexed to foreign currency (1)	17,057,537	-	-	8,731,075	-	-
Other indexes	1,320,021	1,141,904	1,126,757	23,834	-	-
Liabilities	**73,386,430**	**(12,430,353)**	**(12,654,544)**	**56,521,797**	**(11,319,375)**	**(11,315,788)**
CDI (interbank deposit rates)	22,756,316	-	-	20,987,542	-	-
Fixed interest rate - R$	1,418,932	-	-	1,559,034	-	-
Fixed interest rate - foreign currency (1)	13,962,104	(3,710,426)	(3,886,710)	2,728,100	-	-
Indexed to price and interest rates	11,861,241	(2,567,744)	(2,466,640)	12,516,102	(1,343,265)	(1,309,952)
Indexed to foreign currency (1)	23,209,720	(6,152,183)	(6,301,194)	18,537,690	(9,806,615)	(9,843,035)
Other indexes	178,117	-	-	193,329	(169,495)	(162,801)
Options	**212,623,490**	**(1,490,378)**	**(1,692,118)**	**229,947,446**	**(1,953,364)**	**(1,883,617)**
Purchased Position	**91,029,139**	**1,594,150**	**2,734,350**	**88,435,451**	**258,788**	**240,922**
Call option - Dollar	12,131,587	1,171,183	2,255,013	20,803,174	40,527	24,011
Put option - Dollar	8,340,926	157,523	104,943	2,300,670	29,053	26,508
Call option - Other (2)	36,236,913	201,312	138,437	30,808,317	136,302	127,903
Put option - Other (2)	34,319,713	64,132	235,957	34,523,290	52,906	62,500
Sold Position	**121,594,351**	**(3,084,528)**	**(4,426,468)**	**141,511,995**	**(2,212,152)**	**(2,124,539)**
Call option - Dollar	22,309,882	(2,286,649)	(3,555,888)	30,966,641	(803,998)	(620,886)
Put option - Dollar	15,585,970	(401,228)	(320,395)	21,013,420	(1,092,604)	(1,120,631)
Call option - Other (2)	53,805,620	(285,641)	(380,020)	57,199,347	(191,859)	75,935
Put option - Other (2)	29,892,879	(111,010)	(170,165)	32,332,587	(123,691)	(458,957)
Futures Contracts	**38,771,007**	**-**	**-**	**27,737,715**	**-**	**-**
Purchased Position	**12,593,591**	**-**	**-**	**16,730,656**	**-**	**-**
Exchange coupon - DDI	7,017,054	-	-	3,417,298	-	-
Interest rates (DI1 and DIA)	3,887,472	-	-	8,038,348	-	-
Foreign currency	1,606,793	-	-	5,115,296	-	-
Indexes (3)	48,429	-	-	978	-	-
Treasury Bonds/Notes	-	-	-	143,354	-	-
Other	33,843	-	-	15,382	-	-
Sold Position	**26,177,416**	**-**	**-**	**11,007,059**	**-**	**-**
Exchange coupon - DDI	4,288,048	-	-	2,395,124	-	-
Interest rates (DI1 and DIA)	16,781,651	-	-	8,201,301	-	-
Foreign currency	4,837,201	-	-	38,523	-	-
Indexes (3)	95,899	-	-	122,644	-	-
Treasury Bonds/Notes	88,694	-	-	184,178	-	-
Other	85,923	-	-	65,289	-	-
Forward Contracts and Others	**15,868,287**	**1,585,002**	**1,512,176**	**8,357,260**	**389,350**	**420,543**
Purchased Commitment	**11,850,088**	**1,703,150**	**1,625,805**	**4,895,781**	**(236,062)**	**(197,106)**
Currencies	11,830,481	1,696,174	1,618,870	4,895,781	(236,062)	(197,106)
Stocks	6,976	6,976	6,935	-	-	-
Equities	12,631	-	-	-	-	-
Sell Commitment	**4,018,199**	**(118,148)**	**(113,629)**	**3,461,479**	**625,412**	**617,649**
Currencies	3,985,759	(119,001)	(114,482)	2,917,676	89,359	82,991
Stocks	-	-	-	543,423	537,169	535,774
Equities	32,440	853	853	380	(1,116)	(1,116)

						Consolidated
			2008			2007
			Trading			Trading
	Notional	Cost	Fair Value	Notional	Cost	Fair Value
Swap		**(2,240,542)**	**(2,028,461)**		**316,381**	**315,916**
Asset	**112,234,443**	**18,139,411**	**18,354,576**	**56,417,815**	**11,635,756**	**11,631,704**
CDI (interbank deposit rates)	37,294,422	12,831,596	12,800,349	28,048,281	7,459,313	7,416,089
Fixed interest rate - R$	6,160,622	4,165,911	4,427,470	4,136,333	2,599,088	2,630,763
Fixed interest rate - foreign currency (1)	25,483,464	-	-	4,305,455	1,577,355	1,584,852
Indexed to price and interest rates	11,126,200	-	-	11,172,837	-	-
Indexed to foreign currency (1)	30,849,714	-	-	8,731,075	-	-
Other indexes	1,320,021	1,141,904	1,126,757	23,834	-	-
Liabilities	**114,474,985**	**(20,379,953)**	**(20,383,037)**	**56,101,434**	**(11,319,375)**	**(11,315,788)**
CCDI (interbank deposit rates)	24,462,826	-	-	20,588,968	-	-
Fixed interest rate - R$	1,994,711	-	-	1,537,245	-	-
Fixed interest rate - foreign currency (1)	28,299,419	(2,815,955)	(2,051,019)	2,728,100	-	-
Indexed to price and interest rates	13,628,086	(2,501,886)	(2,515,287)	12,516,102	(1,343,265)	(1,309,952)
Indexed to foreign currency (1)	45,911,826	(15,062,112)	(15,816,731)	18,537,690	(9,806,615)	(9,843,035)
Other indexes	178,117	-	-	193,329	(169,495)	(162,801)
Options	**212,584,432**	**(607,770)**	**(1,734,558)**	**229,947,446**	**(1,953,364)**	**(1,883,617)**
Purchased Position	**92,481,061**	**1,078,141**	**2,275,921**	**88,435,451**	**258,788**	**240,922**
Call option - Dollar	13,608,847	629,795	1,796,877	20,803,174	40,527	24,011
Put option - Dollar	8,315,588	182,902	104,650	2,300,670	29,053	26,508
Call option - Other (2)	36,236,913	201,312	138,437	30,808,317	136,302	127,903
Put option - Other (2)	34,319,713	64,132	235,957	34,523,290	52,906	62,500
Sold Position	**120,103,371**	**(1,685,911)**	**(4,010,479)**	**141,511,995**	**(2,212,152)**	**(2,124,539)**
Call option - Dollar	20,934,382	(863,347)	(3,140,525)	30,966,641	(803,998)	(620,886)
Put option - Dollar	15,585,970	(426,249)	(320,104)	21,013,420	(1,092,604)	(1,120,631)
Call option - Other (2)	53,690,140	(285,305)	(379,685)	57,199,347	(191,859)	75,935
Put option - Other (2)	29,892,879	(111,010)	(170,165)	32,332,587	(123,691)	(458,957)
Futures Contracts	**75,360,026**	**-**	**-**	**27,737,715**	**-**	**-**
Purchased Position	**26,519,120**	**-**	**-**	**16,730,656**	**-**	**-**
Exchange coupon - DDI	13,580,134	-	-	3,417,298	-	-
Interest rates (DI1 and DIA)	7,368,308	-	-	8,038,348	-	-
Foreign currency	5,488,406	-	-	5,115,296	-	-
Indexes (3)	48,429	-	-	978	-	-
Treasury Bonds/Notes	-	-	-	143,354	-	-
Other	33,843	-	-	15,382	-	-
Sold Position	**48,840,906**	**-**	**-**	**11,007,059**	**-**	**-**
Exchange coupon - DDI	8,088,018	-	-	2,395,124	-	-
Interest rates (DI1 and DIA)	35,498,376	-	-	8,201,301	-	-
Foreign currency	4,983,996	-	-	38,523	-	-
Indexes (3)	95,899	-	-	122,644	-	-
Treasury Bonds/Notes	88,694	-	-	184,178	-	-
Other	85,923	-	-	65,289	-	-
Forward Contracts and Others	**16,429,235**	**1,939,904**	**1,831,717**	**8,357,260**	**389,350**	**420,543**
Purchase Commitment	**11,931,923**	**2,190,746**	**2,115,319**	**4,895,781**	**(236,062)**	**(197,106)**
Currencies	11,912,316	2,183,770	2,108,384	4,895,781	(236,062)	(197,106)
Equities	6,976	6,976	6,935	-	-	-
Other	12,631	-	-	-	-	-
Sell Commitment	**4,497,312**	**(250,842)**	**(283,602)**	**3,461,479**	**625,412**	**617,649**
Currencies	4,464,872	(251,695)	(284,455)	2,917,676	89,359	82,991
Equities	-	-	-	543,423	537,169	535,774
Other	32,440	853	853	380	(1,116)	(1,116)

(1) Includes credit derivatives.

(2) Includes share options, indexes and commodities.

(3) Includes Bovespa, S&P, Russell and Futse Indexes.

II) Derivatives by counterparty

					Bank
					Notional
				2008	2007
	Customers	Related parties	Financial institutions (1)	Total	Total
Swap	29,320,297	22,380,209	20,830,961	72,531,467	56,839,989
Options	10,062,357	14,365,857	188,195,276	212,623,490	229,947,446
Futures Contracts	-	-	38,771,007	38,771,007	27,737,715
Forward Contracts and Others	9,298,716	6,383,592	185,979	15,868,287	8,357,260

					Consolidated
					Notional
				2008	2007
	Customers	Related parties	Financial institutions (1)	Total	Totall
Swap	58,946,558	25,913,273	27,374,612	112,234,443	56,417,815
Options	10,214,517	2,412,214	199,957,701	212,584,432	229,947,446
Futures Contracts	-	-	75,360,026	75,360,026	27,737,715
Forward Contracts and Others	11,671,886	4,255,322	502,027	16,429,235	8,357,260

(1) Includes trades with the BM&FBovespa and other Securities and Commodities Exchanges.

III) Derivatives by maturity

					Bank
					Notionall
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Swap	22,436,190	15,163,411	34,931,866	72,531,467	56,839,989
Options	142,019,559	36,529,771	34,074,160	212,623,490	229,947,446
Futures Contracts	23,440,867	4,583,627	10,746,513	38,771,007	27,737,715
Forward Contracts and Others	7,908,361	4,575,117	3,384,809	15,868,287	8,357,260

					Consolidado
					Notionall
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Swap	30,683,247	24,952,103	56,599,093	112,234,443	56,417,815
Options	143,654,997	34,764,025	34,165,410	212,584,432	229,947,446
Futures Contracts	33,018,326	12,211,149	30,130,551	75,360,026	27,737,715
Forward Contracts and Others	8,132,515	5,297,192	2,999,528	16,429,235	8,357,260

IV) Derivatives by trade market

					Bank
					Notional
				2008	2007
	Exchange (1)	Cetip (2)	Over the counter	Total	Total
Swap	26,512,757	21,091,464	24,927,246	72,531,467	56,839,989
Options	189,237,274	23,270,736	115,480	212,623,490	229,947,446
Futures Contracts	38,771,007	-	-	38,771,007	27,737,715
Forward Contracts	6,976	11,128,562	4,732,749	15,868,287	8,357,260

					Consolidated
					Notional
				2008	2007
	Exchange (1)	Cetip (2)	Over the counter	Total	Total
Swap	30,066,068	55,103,301	27,065,074	112,234,443	56,417,815
Options	201,151,859	11,240,509	192,064	212,584,432	229,947,446
Futures Contracts	75,360,026	-	-	75,360,026	27,737,715
Forward Contracts	2,253,230	9,128,663	5,047,342	16,429,235	8,357,260

(1) Includes trades with the BM&FBovespa and other Securities and Commodities Exchanges.

(2) Includes amount traded on other clearinghouses

V) Credit Derivatives

The Bank enters into credit derivatives to reduce or eliminate is exposure to specific risks arising from the purchase or sale of assets associated with the credit portfolio management.

In 2008, Bank and Consolidated, the volume of credit derivatives with total return rate - credit risk received corresponds to R$697,606 of cost and R$696,162 of fair value, and the credit risk volume transferred corresponds to R$94,852 of cost and R$99,785 of fair value. During the period there were no credit events related to events provided for in the contracts.

Required base capital used amounted to $3,805.

VI) Derivatives used as Hedge instruments

Derivatives used as hedges by index are as follows:

			Consolidated
			2008
Market risk hedge	Notional	Curve	Market
Swap Contracts	**(157,759)**	**(158,451)**	**(692)**
Asset	**1,701,594**	**1,709,404**	**7,810**
Interbank Deposit Rates - CDI	1,701,594	1,709,404	7,810
Liabilities	**1,859,353**	**1,867,855**	**8,502**
Indexed to foreign currency	1,612,926	1,620,756	7,830
Fixed interest rate - Reais	246,427	247,099	672

			Consolidated
			2008
	Notional	Curve	Marke
Hedge Object	**1,856,582**	**1,867,822**	**11,240**
Credit Portfolio			
Indexed to foreign currency	1,610,155	1,620,723	10,568
Fixed interest rate - Reais	246,427	247,099	672

Cash flow hedge

Consolidated includes cash flow hedge - Future DI, with notional value of R$18,055,336 and maturities from January 2, 2009 to January 2, 2012. The mark-to-market effect is recorded in stockholders' equity and corresponds to a debit of R$85,917, net of taxes. The curve value and the fair values of transactions classified as hedges, Bank Certificates of Deposit (CDBs), is R$18,308,306 as of December 31, 2008.

The effectiveness obtained for the hedge portfolio as of December 31, 2008 is compliant with BACEN's requirements and no ineffective portion was identified to be recorded in income for the period.

VII) Financial Instruments Pledged as Guarantee

The amounts pledged to guarantee BM&FBovespa derivative transactions are comprised of federal government securities in the amount of R$4,132,707 (2007 - R$2,722,245) Consolidated R$7,953,041 (2007 - R$2,801,041).

VIII) Financial Instruments Recorded in Assets and Liabilities

		Bank		Consolidated
	2008	2007	2008	2007
Assets				
Swap differentials receivable (1)	2,894,817	2,529,921	5,050,014	2,526,582
Option premiums	2,734,351	240,922	2,275,922	240,922
Forward contracts and others	1,839,519	649,469	2,199,594	649,469
Total	**7,468,687**	**3,420,312**	**9,525,530**	**3,416,973**
Liabilities				
Swap differentials receivable (1)	3,694,781	2,214,090	7,236,926	2,210,666
Option premiums	4,426,469	2,124,539	4,010,480	2,124,539
Forward contracts and others	327,343	228,926	367,877	228,926
Total	**8,448,593**	**4,567,555**	**11,615,283**	**4,564,131**

(1) Includes swap options and credit derivatives.

c) Financial Instruments -Sensitivity Analysis

Banco Santander's risk management is focused on portfolios and risk factors pursuant to BACEN's regulations and good international practices.

As in the management of market risk exposure, financial instruments are segregated into trading and banking portfolios according to the best market practices and the transaction classification and capital management criteria of the Basel II New Standardized Approach of BACEN. The trading portfolio consists of all transactions with financial instruments and products, including derivatives, held for trading, and the banking portfolio consists of core business transactions arising from the different Bank business lines and their possible hedges. Accordingly, based on the nature of the Bank's activities, the sensitivity analysis was fully applied to the trading portfolio, as this portfolio represents the exposures that may have impacts on the Bank's income.

The table below summarizes the stress values generated by the Bank's corporate systems, related to the trading portfolio, for each one of the portfolio scenarios as of December 31, 2008 and does not necessarily reflect the current position, in view of the market dynamics and the Bank's activities.

			Financial Consolidated (1)
			2008
Risk Factor	scenario 1	scenario 2	scenario 3
Coupon - US dollar	(1,092)	14,279	96,598
Coupon - other currencies	(1,198)	(11,981)	(59,903)
Fixed interest rate - Reais	(3,354)	(33,536)	(167,681)
Shares and indices	3,812	9,529	19,058
Inflation	(1,809)	(18,086)	(90,431)
Other	(3,609)	(36,091)	(180,455)
Total	**(7,250)**	**(75,886)**	**(382,814)**

(1) Amounts calculated based on the consolidated information of the financial institutions (financial group).

Scenarios 2 and 3 above consider the deterioration situations established in CVM Instruction 475, of December 17, 2008, considered as of low probability. According to the strategy defined by Management, if signs of deterioration are detected, actions are taken to minimize possible negative impacts.

Scenario 1: usually reported in our daily reports and corresponds to a shock of 10 base points on the foreign currencies coupon curves, plus a shock of 10% on the currency and stock market spot positions, and a shock above ten base points on the volatility surface of currencies used to price options.

Scenario 2: corresponds to a shock of 100 base points on the foreign currency coupon curves, plus a shock of 25% on the currency and stock market spot positions, and a shock of 100 base points on the volatility surface of currencies used to price options.

Scenario 3: corresponds to a shock of 500 base points on the foreign currency coupon curves, plus a shock of 50% on the currency and stock market spot positions, and a shock of 500 base points on the volatility surface of currencies used to price options.

US dollar coupon: all products with price changes tied to changes in the US currency and the US dollar interest rate.

Other currencies coupon: all products with price changes tied to changes in any currency other than the US dollar and the US dollar interest rate.

Fixed rate - in Brazilian reais: all products with price changes tied to changes in interest rate in Brazilian reais.

Equities and indices: stock market indices, shares and options tied to share indices or the shares themselves.

Inflation: all products with price changes tied to changes in inflation coupons and inflation indices.

Others: any other product that does not fit in the classifications above.

8. Interbank Accounts

Composed of restricted deposits with the Central Bank of Brazil to meet compulsory obligations for demand deposits, savings deposits and time deposits, and payments and receipts pending settlement, represented by checks and other documents sent to clearinghouses (assets and liabilities).

9. Credit Portfolio and Allowance for Losses

a) Credit portfolio

		Bank		Consolidated
	2008	2007	2008	2007
Lending operations	**49,942,593**	**39,377,758**	**116,147,234**	**39,339,900**
Loans and discounted receivables	27,621,039	19,206,584	68,860,313	19,168,726
Financing	16,985,164	15,294,808	34,727,149	15,294,808
Rural, agricultural and industrial financing	2,783,152	2,842,223	5,603,025	2,842,223
Real estate financing	2,546,525	1,996,278	6,950,034	1,996,278
Securities financing	-	23,145	-	23,145
Infrastructure and development financing	6,713	14,720	6,713	14,720
Leasing operations	**852,479**	**10,374**	**12,707,059**	**402,206**
Advances on foreign exchange contracts (1)	**2,112,808**	**1,773,786**	**3,314,908**	**1,773,786**
Other receivables (2)	**2,985,653**	**2,204,239**	**7,241,172**	**2,208,745**
Total	**55,893,533**	**43,366,157**	**139,410,373**	**43,724,637**
Current	**32,462,612**	**24,268,561**	**80,186,506**	**24,468,279**
Long-term	**23,430,921**	**19,097,596**	**59,223,867**	**19,256,358**

(1) Classified as a reduction of "Other payables".

(2) Include receivables for guarantees honored, debtors for purchase of assets, notes and credits receivable (basically credit cards and rural product notes - CPR), income receivable from advances on foreign exchange contracts, and receivables from export contracts.

b) Credit portfolio by maturity

		Bank		Consolidated
	2008	2007	2008	2007
Overdue	3,143,875	2,024,618	6,160,485	2,026,850
Due to:				
Up to 3 moths	18,370,985	13,122,694	40,614,738	13,186,051
From 3 to 12 months	14,091,627	11,145,867	39,571,768	11,282,228
Over 12 months	20,287,046	17,072,978	53,063,382	17,229,508
Total	**55,893,533**	**43,366,157**	**139,410,373**	**43,724,637**

c) Lease portfolio at present value

		Bank		Consolidated
	2008	2007	2008	2007
Lease receivables	457,071	11,138	7,607,700	363,378
Unearned income on lease	(455,251)	(764)	(7,401,603)	(349,761)
Unrealized residual values	1,166,187	-	10,750,809	244,951
Offsetting residual values	(1,166,187)	-	(10,750,809)	(244,951)
Leased property and equipment	1,242,973	-	20,316,178	754,047
Accumulated depreciation	(137,040)	-	(5,426,823)	(278,316)
Excess depreciation	152,184	-	4,612,474	12,666
Losses on unamortized lease	-	-	129,012	35,595
Advances for guaranteed residual value	(407,458)	-	(7,159,287)	(135,403)
Other Assets	-	-	29,408	-
Total	**852,479**	**10,374**	**12,707,059**	**402,206**

d) Credit portfolio by business sector

	Bank		Consolidated	
	2008	2007	2008	2007
Private sector	**55,700,692**	**43,188,312**	**139,065,835**	**43,555,357**
Industrial	16,389,987	10,843,805	32,980,048	10,949,547
Commercial	4,439,123	3,500,931	14,015,700	3,571,602
Financial institutions	68,220	86,409	422,784	86,409
Services and other	11,391,799	8,359,944	27,626,311	8,545,475
Individuals	20,628,411	17,555,000	58,417,967	17,560,101
Credit Cards	3,341,421	2,555,207	6,988,446	2,555,207
Mortgage Loans	2,096,891	1,692,174	4,467,550	1,692,174
Payroll Loans	2,727,497	2,493,864	6,829,554	2,493,864
Leasing e Auto Finance	5,709,665	5,596,661	23,055,990	5,600,423
Other	6,752,937	5,217,094	17,076,427	5,218,433
Rural	2,783,152	2,842,223	5,603,025	2,842,223
Public sector	**192,841**	**177,845**	**344,538**	**169,280**
Federal	104,574	104,250	115,006	104,250
State	71,218	47,763	215,416	47,763
Municipal	17,049	25,832	14,116	17,267
Total	**55,893,533**	**43,366,157**	**139,410,373**	**43,724,637**

e) Classification of credit portfolio by risk level and respective allowance for loan losses

							Bank
	Minimum				Balance		
	allowance			2008	2007	Allowance required	
Risk level	required (%)	Current	Past due (1)	Total	Total	2008	2007
AA	-	33,102,843	-	33,102,843	24,628,397	-	-
A	0.5%	16,588,652	-	16,588,652	13,507,121	82,943	67,536
B	1%	488,166	591,383	1,079,549	529,219	10,795	5,292
C	3%	774,032	805,337	1,579,369	910,323	47,381	27,310
D	10%	130,867	578,188	709,055	1,870,565	70,906	187,056
E	30%	58,430	291,402	349,832	265,287	104,950	79,586
F	50%	43,709	406,304	450,013	323,286	225,006	161,643
G	70%	4,415	252,625	257,040	209,868	179,928	146,908
H	100%	32,332	1,744,848	1,777,180	1,122,091	1,777,180	1,122,091
Total		**51,223,446**	**4,670,087**	**55,893,533**	**43,366,157**	**2,499,089**	**1,797,422**
Additional Provision (2)						**137,395**	**-**
Total Provision						**2,636,484**	**1,797,422**

							Bank
	Minimum				Balance		
	allowance			2008	2007	Allowance required	
Risk level	required (%)	Current	Past due (1)	Total	Total	2008	2007
AA	-	48,849,728	-	48,849,728	24,954,190	-	-
A	0.5%	60,352,538	-	60,352,538	13,543,167	301,763	67,716
B	1%	10,218,086	2,012,577	12,230,663	534,067	122,307	5,340
C	3%	4,795,549	2,953,166	7,748,715	914,764	232,461	27,443
D	10%	643,680	1,541,007	2,184,687	1,846,094	218,469	184,609
E	30%	496,342	1,101,740	1,598,082	266,366	479,425	79,910
F	50%	307,364	978,647	1,286,011	324,258	643,006	162,129
G	70%	49,347	682,490	731,837	210,017	512,286	147,012
H	100%	284,693	4,143,419	4,428,112	1,131,714	4,428,112	1,131,714
Total		**125,997,327**	**13,413,046**	**139,410,373**	**43,724,637**	**6,937,829**	**1,805,873**
Additional Provision (2)						**156,403**	**-**
Total Provision						**7,094,232**	**1,805,873**

(1) Includes current and past-due operations.

(2) The additional allowance is recognized based on Management's risk assessment, the expected realization of the loan portfolio, and the current regulatory requirements.

f) Changes in allowance for loan losses

	Bank		Consolidated	
	2008	2007	2008	2007
At the beginning of the period	**1,797,422**	**1,606,638**	**1,805,873**	**1,622,124**
Acquired Companies (Note 2)	-	-	3,974,010	-
Allowances recognized	2,802,974	2,090,188	4,370,740	2,084,475
Write-offs	(1,964,091)	(1,899,005)	(3,056,570)	(1,900,327)
Other changes	179	(399)	179	(399)
At the end of the period	**2,636,484**	**1,797,422**	**7,094,232**	**1,805,873**
Current	**222,717**	**235,594**	**1,427,401**	**238,905**
Long-term	**2,413,767**	**1,561,828**	**5,666,831**	**1,566,968**
Recoveries (1)	**195,539**	**382,273**	**413,480**	**494,578**

(1) Recoveries are recorded in Income from Lending and Leasing Operations and include a credit assignment without co-obligation, related to operations previously written off to loss, in the amount of R$48,894 - Bank and R$65.126 - Consolidated(2007 - R$100,320 Bank and Consolidated).

10. Foreign Exchange Portfolio

	Bank		Consolidated	
	2008	2007	2008	2007
Assets				
Rights to foreign exchange sold	15,129,148	5,088,677	21,984,578	5,088,677
Exchange purchased pending settlement	16,082,364	5,487,310	26,060,935	5,487,310
Advances in local currency	(456,511)	(73,296)	(626,222)	(73,296)
Income receivable from advances	67,264	39,511	118,362	39,511
Income receivable from import financing	-	-	3,148	-
Others	5,890	3,979	5,890	3,979
Total	**30,828,155**	**10,546,181**	**47,546,691**	**10,546,181**
Current	**14,744,632**	**8,401,776**	**31,365,346**	**8,401,776**
Long-term	**16,083,523**	**2,144,405**	**16,181,345**	**2,144,405**
Liabilities				
Exchange sold pending settlement	16,943,538	4,810,724	24,580,848	4,810,724
Foreign exchange purchased	13,822,928	5,907,613	21,671,391	5,907,613
Advances on foreign exchange contracts - Financial Institutions	(2,112,808)	(1,773,786)	(3,314,908)	(1,773,786)
Others	1,233	33,864	12,159	33,864
Total	**28,654,891**	**8,978,415**	**42,949,490**	**8,978,415**
Current	**13,066,728**	**6,828,883**	**27,263,121**	**6,828,883**
Long-term	**15,588,163**	**2,149,532**	**15,686,369**	**2,149,532**
Memorandum accounts				
Open import credits	545,228	463,529	640,296	463,529
Confirmed export credits	16,504	103,269	19,448	103,269

11. Trading Account

	Bank		Consolidated	
	2008	2007	2008	2007
Assets				
Transactions pending settlement	1,243,150	178,639	1,396,140	190,867
Debtors pending settlement	5,182	55,474	571,640	306,893
Stock exchanges - guarantee deposits	103,230	76,264	103,230	77,663
Other	83	83	83	7,128
Total	**1,351,645**	**310,460**	**2,071,093**	**582,551**
Current	**1,351,645**	**310,460**	**2,071,093**	**582,551**
Liabilities				
Transactions pending settlement	1,229,250	112,288	1,460,624	117,637
Creditors pending settlement	5,613	9,201	566,493	128,592
Creditors for loan of shares	40,585	97,303	40,585	97,303
Clearinghouse transactions	-	-	16,857	142,749
Commissions and brokerage fees payable	1,179	686	2,599	2,643
Gold borrowings	-	-	3,826	-
Non - delivered forwards	-	-	1,320	-
Total	**1,276,627**	**219,478**	**2,092,304**	**488,924**
Current	**1,276,502**	**177,881**	**2,092,179**	**447,327**
Long-term	**125**	**41,597**	**125**	**41,597**

12. Tax Credits

a) Nature and Origin of Recorded Tax Credits

				Bank
	12/31/2007	Recognition	Realization	12/31/2008
Allowance for loan losses	701,116	673,720	(292,191)	1,082,645
Reserve for civil contingencies	66,726	54,951	(27,895)	93,782
Reserve for tax contingencies	515,383	316,255	(328,637)	503,001
Reserve for labor contingencies	340,429	242,987	(116,455)	466,961
Amortized Goodwill	-	228,343	-	228,343
Reserve for maintenance of stockholders' equity integrity	367,049	64,773	(396,920)	34,902
Adjustment to fair value of trading securities and derivatives (1)	403,462	983,688	-	1,387,150
Accrual for pension plan	62,168	21,057	(14,932)	68,293
Adjustment to fair value of available-for-sale securities (1)	42,430	33,851	-	76,281
Deferred income from derivatives (1)	-	135,193	-	135,193
Other temporary provisions	639,713	640,254	(460,051)	819,916
Total tax credits on temporary differences	**3,138,476**	**3,395,072**	**(1,637,081)**	**4,896,467**
Tax loss carryforwards	441,360	82,396	(6,060)	517,696
Social contribution tax - Executive Act No. 2158/2001 (2)	686,372	133,597	(9,760)	810,209
Total tax credits	**4,266,208**	**3,611,065**	**(1,652,901)**	**6,224,372**
Unrecorded tax credits (3)	(635,190)	(511,319)	384,189	(762,320)
Subtotal - recorded tax credits	**3,631,018**	**3,099,746**	**(1,268,712)**	**5,462,052**
Current	**1,045,318**			**2,295,074**
Long-term	**2,585,700**			**3,166,978**

				Bank
	12/31/2006	Recognition	Realization	12/31/2007
Allowance for loan losses	684,131	275,345	(258,360)	701,116
Reserve for civil contingencies	67,644	39,373	(40,291)	66,726
Reserve for tax contingencies	422,665	102,605	(9,887)	515,383
Reserve for labor contingencies	295,513	342,008	(297,092)	340,429
Reserve for maintenance of stockholders' equity integrity	667,456	-	(300,407)	367,049
Adjustment to fair value of trading securities and derivatives	136,893	266,569	-	403,462
Accrual for pension plan	887,141	22,047	(847,020)	62,168
Adjustment to fair value of available-for-sale securities	59,261	-	(16,831)	42,430
Other temporary provisions	273,641	440,349	(74,277)	639,713
Total tax credits on temporary differences	**3,494,345**	**1,488,296**	**(1,844,165)**	**3,138,476**
Tax loss carryforwards	247,438	193,922	-	441,360
Social contribution tax - Executive Act No. 2158/2001	703,478	-	(17,106)	686,372
Total tax credits	**4,445,261**	**1,682,218**	**(1,861,271)**	**4,266,208**
Unrecorded tax credits (3)	(954,310)	-	319,120	(635,190)
Subtotal - recorded tax credits	**3,490,951**	**1,682,218**	**(1,542,151)**	**3,631,018**

					Consolidated
	12/31/2007	Acquisition/ Disposal (4)	Recognition	Realization	12/31/2008
Allowance for loan losses	713,226	2,541,028	1,137,584	(362,532)	4,029,306
Reserve for civil contingencies	70,163	315,006	74,758	(50,590)	409,337
Reserve for tax contingencies	588,831	485,791	379,316	(377,911)	1,076,027
Reserve for labor contingencies	353,172	333,326	317,413	(138,316)	865,595
Amortized Goodwill	-	351,599	228,343	(18,026)	561,916
Reserve for maintenance of stockholders' equity integrity	367,049	-	64,773	(396,920)	34,902
Adjustment to fair value of trading securities and derivatives (1)	403,919	700,000	1,231,313	(117)	2,335,115
Accrual for pension plan	62,168	59,465	21,725	(42,950)	100,408
Adjustment to fair value of available-for-sale securities (1)	42,433	123,031	105,328	(120,675)	150,117
Deferred income from derivatives (1)	18	-	189,973	(11)	189,980
Other temporary provisions	665,978	625,036	801,665	(636,437)	1,456,242
Total tax credits on temporary differences	**3,266,957**	**5,534,282**	**4,552,191**	**(2,144,485)**	**11,208,945**
Tax loss carryforwards	446,678	649,304	390,755	(16,545)	1,470,192
Social contribution tax - Executive Act No. 2158/2001(2)	701,580	95,072	133,597	(12,668)	917,581
Total tax credits	**4,415,215**	**6,278,658**	**5,076,543**	**(2,173,698)**	**13,596,718**
Unrecorded tax credits (3)	(658,814)	(707,187)	(648,386)	412,761	(1,601,626)
Subtotal - recorded tax credits	**3,756,401**	**5,571,471**	**4,428,157**	**(1,760,937)**	**11,995,092**
Current	**1,064,481**				**4,700,703**
Long-term	**2,691,920**				**7,294,389**

	12/31/2007	Recognition	Realization	Consolidated 12/31/2008
Allowance for loan losses	739,091	278,337	(304,202)	713,226
Reserve for civil contingencies	71,118	39,783	(40,738)	70,163
Reserve for tax contingencies	489,444	112,095	(12,708)	588,831
Reserve for labor contingencies	310,946	342,052	(299,826)	353,172
Reserve for maintenance of stockholders' equity integrity	667,456	-	(300,407)	367,049
Adjustment to fair value of trading securities and derivatives (1)	137,798	267,275	(1,154)	403,919
Accrual for pension plan	887,141	22,047	(847,020)	62,168
Adjustment to fair value of available-for-sale securities (1)	59,270	-	(16,837)	42,433
Deferred income from derivatives (1)	43	-	(25)	18
Other temporary provisions	294,142	449,611	(77,775)	665,978
Total tax credits on temporary differences	**3,656,449**	**1,511,200**	**(1,900,692)**	**3,266,957**
Tax loss carryforwards	255,179	202,925	(11,426)	446,678
Social contribution tax - Executive Act No. 2158/2001 (2)	719,040	-	(17,460)	701,580
Total tax credits	**4,630,668**	**1,714,125**	**(1,929,578)**	**4,415,215**
Unrecorded tax credits (3)	(1,039,293)	(13,437)	393,916	(658,814)
Subtotal - recorded tax credits	**3,591,375**	**1,700,688**	**(1,535,662)**	**3,756,401**
IRPJ - Corporate income tax				
CSLL - Social contribution tax				
Pis and Cofins - Revenue taxes				

(1) Includes Tax Credits IRPJ, CSLL, Pis and Cofins.

(2) Includes the amount of R$133,597 related to transfer from Other payables – tax and social security (note 24.c).

(3) Includes the unrecorded tax credit related to the increase in social contribution tax rate for financial institutions from 9% to 15%. The social contribution tax amount related to the tax rate increase is accrued in Other payables – tax and social security (note 20).

(4) Purchased companies/Disposal of equity interest (Notes 2 and 16).

b) Expected realization of recorded tax credits

Year	Temporary differences IRPJ	Temporary differences CSLL	Temporary differences PIS/Cofins	Tax loss carryforwards	CSLL 18%	Total	Bank Recorded
2009	1,211,215	703,516	83,264	293,583	140,744	2,432,322	2,295,074
2010	1,022,349	590,194	83,264	224,113	205,027	2,124,947	1,981,639
2011	448,382	246,993	-	-	260,305	955,680	709,484
2012	123,697	65,433	-	-	204,133	393,263	330,763
2013	154,865	83,971	-	-	-	238,836	134,817
2014 to 2016	9,428	328	-	-	-	9,756	-
2017 to 2018	23,342	10,454	-	-	-	33,796	10,275
2019 to 2021	9,428	328	-	-	-	9,756	-
2022 to 2023	6,285	219	-	-	-	6,504	-
After 2023	18,856	656	-	-	-	19,512	-
Total	**3,027,847**	**1,702,092**	**166,528**	**517,696**	**810,209**	**6,224,372**	**5,462,052**

Year	Temporary differences IRPJ	Temporary differences CSLL	Temporary differences PIS/Cofins	Tax loss carryforwards	CSLL 18%	Total	Consolidated Recorded
2009	2,703,619	1,597,735	193,024	334,024	149,227	4,977,629	4,700,703
2010	2,279,086	1,151,398	91,681	269,005	214,219	4,005,389	3,773,375
2011	1,330,635	763,464	(1,953)	58,483	272,967	2,423,596	1,772,840
2012	322,886	184,077	(3,741)	346,902	217,659	1,067,783	919,251
2013	284,666	146,346	(2,218)	439,902	9,503	878,199	673,312
2014 to 2016	72,951	13,071	28	21,876	34,801	142,727	118,745
2017 to 2018	31,275	15,143	-	-	19,205	65,623	36,866
2019 to 2021	9,428	328	-	-	-	9,756	-
2022 to 2023	6,285	219	-	-	-	6,504	-
After 2023	18,856	656	-	-	-	19,512	-
Total	**7,059,687**	**3,872,437**	**276,821**	**1,470,192**	**917,581**	**13,596,718**	**11,995,092**

Due to differences between accounting, tax and corporate criteria, expected realization of tax credits should not be taken as indicative of future net income.

c) Present value of deferred tax credits

The total present value of tax credits is R$5,333,237 (2007 - R$3,705,644) - Bank and R$11,393,420 (2007 - R$3,831,917) - Consolidated and the present value of recorded tax credits is R$4,749,607 (2007 - R$3,116,568) - Bank and R$10,187,374 (2007 - R$3,221,415) - Consolidated. The present value was calculated taking into account the expected realization of temporary differences, tax loss carryforwards, and social contribution tax at the rate of 18% (Executive Act No. 2.158/2001) and the average funding rate projected for the corresponding periods.

13. Other Receivables - Other

	Bank		Consolidated	
	2008	2007	2008	2007
Credit cards	2,128,134	1,535,054	5,017,288	1,535,054
Escrow deposits for:				
Tax claims	1,408,013	1,093,003	3,423,713	1,244,299
Labor claims	1,126,128	1,043,559	1,914,743	1,077,531
Other	351,421	266,115	615,779	274,418
Contract guarantees - former controlling stockholders (Note 22.h)	654,538	880,238	654,538	880,238
Recoverable taxes	275,630	90,383	824,148	201,330
Receivables	384,007	231,043	1,632,109	233,700
Rural product notes	132,027	156,820	132,027	156,820
Reimbursable payments	427,246	172,045	628,374	179,041
Receivable from affiliates	208,049	191,749	222,767	191,749
Salary advances/other	399,098	33,921	953,694	34,219
Debtors for purchase of assets	54,865	49,504	101,341	51,353
Receivables from export contracts	130,597	48,330	129,717	46,565
Other	351,943	15,570	1,547,291	18,199
Total	**8,031,696**	**5,807,334**	**17,797,529**	**6,124,516**
Current	**3,373,721**	**2,093,621**	**8,986,484**	**2,107,395**
Long-term	**4,657,975**	**3,713,713**	**8,811,045**	**4,017,121**

14. Other Assets

	Bank		Consolidated	
	2008	2007	2008	2007
Assets not in Use (1)	180,192	187,438	277,698	192,835
(Allowance for Valuation)	(148,192)	(155,438)	(178,178)	(160,835)
Materials in inventory	8,956	-	13,025	-
Total	**40,956**	**32,000**	**112,545**	**32,000**
Current	**40,956**	**32,000**	**112,545**	**32,000**

(1) Refer mainly to repossessed assets, consisting basically of properties and vehicles received as payment in kind.

15. Foreign Branches

The financial position of the Foreign Branches (Grand Cayman and Tokyo), converted at the exchange rate prevailing at the balance sheet date and included in the individual

	Santander Branches (1)		Others (2)
	2008	2007	2008
Assets	**27,081,059**	**11,587,644**	**7,403,820**
Current and long-term assets	**27,041,296**	**11,587,462**	**7,403,089**
Cash	173,536	74,698	13,271
Interbank investments	5,540,108	1,468,764	622,367
Securities and derivatives	7,207,498	5,052,120	6,167,267
Lending operations	5,442,824	3,020,976	6,010
Leasing operations	-	10,374	-
Foreign exchange portfolio	8,381,249	1,750,746	205,165
Other assets	296,081	209,784	389,009
Permanent assets	**39,763**	**182**	**731**
Liabilities	**27,081,059**	**11,587,644**	**7,403,820**
Current and long-term liabilities	**26,083,471**	**11,435,389**	**2,376,005**
Money market funding	3,201,115	595,528	260,488
Funds from acceptance and issuance of securities	1,035,296	1,511,492	842,801
Borrowings and Onlendings	7,705,692	4,632,031	992,093
Subordinated debt	1,171,324	887,790	-
Foreign exchange portfolio	8,902,227	1,767,284	212,972
Other payables (3)	4,067,817	2,041,264	67,651
Deferred Income	**166**	**128**	**2,864**
Stockholders' Equity (4)	**997,422**	**152,127**	**5,024,951**
Net Income (Losses)	**45,571**	**(44,712)**	**152,287**

(1) Grand Cayman e Tokyo.

(2) Banco Real Grand Cayman Branch and Banco Comercial de Investimento Sudameris S.A. Grand Cayman Branch.

(3) At Santander Grand Cayman Branch include Sale of right to receipt of future flow of payment orders from abroad (Note 23).

(4) On March 20, 2008, the capital of Santander Grand Cayman Branch was increased by US$300 million, as authorized by the Central Bank of Brazil.

16. Investments in Affiliates and Subsidiaries

					2008
		Number of shares (in thousands)		Participation %	
Investments - Direct and Indirect Ownership	Activity	Common shares and quotas	Preferred	Bank	Consolidated
Controlled by Banco Santander S.A.					
Banco ABN AMRO Real S.A. (5)	Bank	3,158,765	-	100.00%	100.00%
ABN AMRO Brasil Dois Participações S.A. (5)	Holding	865,376	-	100.00%	100.00%
Santander Brasil Arrendamento Mercantil S.A.	Leasing	86,984	-	99.99%	99.99%
Santander S.A. Corretora de Câmbio e Títulos (1)	Broker	22,574,324	14,300,515	99.99%	100.00%
Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários (1)	Broker	9,201	4,400	99.99%	100.00%
Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	Asset manager	64,000	-	99.99%	100.00%
Santander Investimentos em Participações S.A. (1)	Holding	1,830,752	-	97.62%	100.00%
Santander Administradora de Consórcios Ltda.	Buying club	3,000	-	99.99%	100.00%
ABN AMRO Administradora de Cartões de Crédito Ltda. (5) (7)	Credit Card	805,730	-	98.46%	100.00%

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		Number of shares (in thousands)		Participation %	2008
Investments - Direct and Indirect Ownership	**Activity**	**Common shares and quotas**	**Preferred**	**Bank**	**Consolidated**
Controlled by Banco ABN AMRO Real S.A.					
ABN AMRO Arrendamento Mercantil S.A. (5)	Leasing	19,274	-	-	99.99%
Companhia Real Distribuidora de Títulos e Valores Mobiliários (5)	Dealer	67	-	-	100.00%
Banco de Pernambuco S.A. - BANDEPE (5)	Bank	2,183,667,026	-	-	100.00%
Sudameris Distribuidora de Títulos e Valores Mobiliários S.A. (5)	Dealer	589,877,636	-	-	100.00%
Real Leasing S.A. Arrendamento Mercantil (5)	Leasing	10,028,964	-	-	99.99%
Banco Comercial e de Investimento Sudameris S.A. (5)	Bank	92,221,596	70,319,569	-	99.80%
Aymoré Crédito, Financiamento e Investimento S.A. (5)	Financial Companies	287,706,670	-	-	100.00%
Real Microcrédito S.A. (5)	Microcredit	43,129,918	-	-	100.00%
Webmotors S.A. (5)	Other Activities	348,253,362	17,929,313	-	100.00%
REB Empreendimentos e Administradora de Bens S.A. (2) (3)	Holding	437,530	-	-	100.00%
ABN AMRO Advisory Services S.A. (5)	Other Activities	5	-	-	100.00%
ABN AMRO Securities (Brasil) Corretora de Valores Mobiliários S.A. (5)	Broker	344,283	77,226	-	100.00%
Real Corretora de Seguros S.A. (5)	Broker	9	-	-	100.00%
Companhia de Arrendamento Mercantil Renault do Brasil (5)	Leasing	158	78	-	39.88%
Companhia de Crédito. Financiamento e Investimento Renault do Brasil (5)	Financial Companies	1	1	-	39.59%
ABN AMRO Real Corretora de Câmbio e Valores Mobiliários (5)	Broker	1,400,000	1,400,000	-	100.00%
ABN AMRO Administradora de Consórcio Ltda. (5)	Buying club	4,810	-	-	100.00%
Real Argentina S.A. (5)	Other Activities	449	-	-	98.99%
Controlled by ABN AMRO Brasil Dois Participações S.A.					
Credicenter Empreendimentos e Promoções Ltda. (5)	Other Activities	173,570	-	-	100.00%
Cruzeiro Factoring Sociedade de Fomento Comercial Ltda. (5)	Factoring	82,443	-	-	100.00%
ABN AMRO Brasil Participações e Investimentos S.A. (5)	Holding	16,501	-	-	99.99%
Real Capitalização S.A. (5)	Capitalization	5,118	-	-	100.00%
Real CHP S.A. (5)	Holding	546	-	-	92.78%
Fonet Brasil S.A. (5)	Other Activities	20	-	-	50.99%
Controlled by Santander Investimentos em Participações S.A.					
Santander S.A. Serviços Técnicos. Administrativos e de Corretagem de Seguros (1) (2)	Insurance Broker	50,425,310	-	-	99.99%
Agropecuária Tapirapé S.A. (1) (2)	Other Activities	199,729	384,697	-	99.07%
Jointly Controlled Companies					
Companhia Brasileira de Meios de Pagamentos - Visanet (5)	Card Processor	1,364,784	-	-	14.87%
Celta Holding S.A. (5)	Holding	1	999	-	25.99%
Araguari Real Estate Holding LLC	Holding	86,328	-	50.00%	50.00%
Real Tókio Marine Vida e Previdência S.A. (5) (8)	Pension Plan	198,618	-	-	49.99%
Tecban - Tecnologia Bancária S.A. (5)	Other Activities	3,780,080	-	9.48%	20.68%
Companhia Brasileira de Soluções e Serviços - CBSS (5)	Ticker insurance	1,000	1,000	-	15.32%
Cibrasec - Companhia Brasileira de Securitização (5)	Securitization	66	-	4.55%	13.64%
Norchem Participações e Consultoria S.A. (1) (2)	Other Activities	1,900	-	-	50.00%
Estruturadora Brasileira de Projetos S.A. - EBP (4)	Other Activities	8,001	-	-	11.11%
Diamond Finance Promotora de Vendas (5)	Other Activities	5	5	-	25.50%
Affiliate					
Norchem Holding e Negócios S.A. (1) (2)	Other Activities	5,789	1,930	-	21.75%

	Adjusted Stockholders' Equity	Adjusted Net Income (Losses)		Investments
	2008	2008	2008	2007
Controlled by Banco Santander S.A.				
Banco ABN AMRO Real S.A. (5)	11,857,754	643,898	11,857,754	-
ABN AMRO Brasil Dois Participações S.A. (5)	338,715	50,723	338,715	-
Santander Brasil Arrendamento Mercantil S.A.	525,885	45,784	525,885	480,531
Santander S.A. Corretora de Câmbio e Títulos (1)	193,731	41,200	193,731	137,003
Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários (1)	1,016	8,588	1,016	173,969
Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	103,865	40,113	103,865	71,295
Santander Investimentos em Participações S.A. (1)	967,656	159,418	944,674	293,465
Santander Administradora de Consórcios Ltda.	3,637	166	3,637	3,602
ABN AMRO Administradora de Cartões de Crédito Ltda.(5) (7)	968,146	21,960	953,225	-
Other	-	-	-	89,266
Controlled by Banco ABN AMRO Real S.A.				
ABN AMRO Arrendamento Mercantil S.A. (5)	587,277	32,219	-	-
Companhia Real Distribuidora de Títulos e Valores Mobiliários (5)	76,142	1,674	-	-
Banco de Pernambuco S.A. - BANDEPE (5)	3,669,198	89,717	-	-
Sudameris Distribuidora de Títulos e Valores Mobiliários S.A.(5)	2,136,056	102,829	-	-
Real Leasing S.A. Arrendamento Mercantil (5)	9,567,234	226,042	-	-
Banco Comercial e de Investimento Sudameris S.A. (5)	2,011,478	101,134	-	-
Aymoré Crédito, Financiamento e Investimento S.A. (5)	622,942	5,600	-	-
Real Microcrédito S.A. (5)	6,563	2,798	-	-
Webmotors S.A. (5)	38,831	5,009	-	-
REB Empreendimentos e Administradora de Bens S.A. (2) (3)	36,873	23,932	-	-
ABN AMRO Advisory Services S.A. (5)	1,710	109	-	-
ABN AMRO Securities (Brasil) Corretora de Valores Mobiliários S.A.(5)	62,852	1,230	-	-
Real Corretora de Seguros S.A. (5)	77,102	20,802	-	-
Companhia de Arrendamento Mercantil Renault do Brasil (5)	449,007	11,402	-	-
Companhia de Crédito, Financiamento e Investimento Renault do Brasil (5)	207,332	17,945	-	-
ABN AMRO Real Corretora de Câmbio e Valores Mobiliários S.A. (5)	47,132	1,698	-	-
ABN AMRO Administradora de Consórcio Ltda. (5)	54,451	14,159	-	-
Real Argentina (5)	259	(46)	-	-
Controlled by ABN AMRO Brasil Dois Participações S.A.				
Real Capitalização S.A. (5)	90,374	22,893	-	-
Real CHP S.A. (5)	4,618	1,574	-	-
ABN AMRO Brasil Participações e Investimentos S.A. (5)	15,814	(523)	-	-
Credicenter Empreendimentos e Promoções Ltda. (5)	305,316	7,813	-	-
Cruzeiro Factoring Sociedade de Fomento Comercial Ltda. (5)	124,516	3,195	-	-
Fonet Brasil S.A. (5)	14,993	(1,053)	-	-
Controlled by Santander Investimentos em Participações S.A.				
Santander S.A. Serviços Técnicos. Administrativos e de Corretagem de Seguros (1) (2)	55,251	29,271	-	-
Agropecuária Tapirapé S.A. (1) (2)	6,442	427	-	-
Jointly Controlled Companies				
Companhia Brasileira de Meios de Pagamentos - Visanet (5)	702,046	343,290	-	-
Celta Holding S.A. (5)	236,417	30,178	-	-
Araguari Real Estate Holding LLC	230,960	-	115,480	-
Real Tókio Marine e Previdência S.A. (5) (8)	173,960	28,675	-	-
Tecban - Tecnologia Bancária S.A. (5)	154,905	6,465	14,690	-
Companhia Brasileira de Soluções e Serviços-CBSS (5)	132,905	25,401	-	-
Cibrasec - Companhia Brasileira de Securitização (5)	72,842	1,546	3,311	-
Norchem Participações e Consultoria S.A. (1) (2)	55,242	6,093	-	-
Estruturadora Brasileira de Projetos S.A. - EBP (4)	7,245	(755)	-	-
Diamond Finance Promotora de Vendas (5)	3,085	2,242	-	-
Affiliate				
Norchem Holding e Negócios S.A. (1) (2)	97,406	8,729	21,186	19,287
Total Investments - Bank			**15,055,983**	**1,268,418**
Total Investimento - Consolidated			**21,186**	**19,,287**

	Results on Investments in Affiliates and Subsidiaries	
	2008	2007
Controlled by Banco Santander S.A.		
Banco ABN AMRO Real S.A. (5)	647,207	-
ABN AMRO Brasil Dois Participações S.A. (5)	50,723	-
Santander Brasil Arrendamento Mercantil S.A.	45,784	43,601
Santander S.A. Corretora de Câmbio e Títulos (1)	41,200	120,837
Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários (1)	8,588	124,876
Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	40,188	19,200
Santander Investimentos em Participações S.A. (1)	159,207	161,582
Santander Administradora de Consórcios Ltda.	166	110
ABN AMRO Administradora de Cartão de Crédito Ltda. (5) (7)	18,687	-
Other	5,533	40,951
Banco Santander S.A. Affiliate		
Norchem Holding e Negócios S.A. (1) (2)	420	2,950
Jointly Controlled Companies		
Tecban - Tecnologia Bancária S.A. (5)	10,957	-
Cibrasec - Companhia Brasileira de Securitização (5)	311	-
Results on Investments in Affiliates and Subsidiaries - Bank	**1,028,971**	**514,107**
Affiliate		
Norchem Holding e Negócios S.A. (1) (2)	1,479	-
Other	3,741	-
Results on Investments in Affiliates and Subsidiaries - Consolidated	**5,640**	**2,950**

(1) In April 2008, a corporate restructuring was implemented and involved the Bank and its subsidiaries and affiliates, Santander S.A. Corretora de Câmbio e Títulos (Santander Corretora), Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários (Santander CTVM), Santander Investimentos em Participações S.A. (Santander Participações) and the other non-financial companies. The objective of said restructuring was rationalizing the corporate structure by shifting the nonoperating activities of the Bank, Santander Corretora and Santander CTVM related to investments in shares and securities to a special purpose company, Santander Participações.

The corporate restructuring will bring administrative, economic and financial benefits resulting from the reduction of combined operating expenses. In implementing the corporate restructuring, the Bank made a capital increase in Santander Participações by contributing its equity interest in the non-financial companies of the conglomerate (Santander S.A. – Serviços Técnicos, Administrativos e da Corretagem de Seguros, Norchem Participações e Consultoria S.A., Norchem Holding e Negócios S.A. and Agropecuária Tapirape S.A.), as well as other investments in shares. Concurrently with the capital increase made by the Bank partial spin-offs of Santander Corretora and Santander CTVM were made, with the transfer of the net assets to Santander Participações. The spun off assets included investments in shares and cash. The operations related to the partial spin- off are in process of approval by the Central Bank of Brazil.

Upon the implementation of the corporate restructuring, the Bank increased the capital of Santander Participações through the contribution of its equity interest in the non-financial entities of the Group (Santander S.A. - Serviços Técnicos, Administrativos e de Corretagem de Seguros, Norchem Participações e Consultoria S.A., Norchem Holding e Negócios S.A. and Agropecuária Tapirapé S.A.), as well as other investments in shares. Concurrently to the capital increase made by the Bank, there were the partial spin-offs of Santander Corretora and Santander CTVM with the transfer of the net assets (investments in shares and cash) to Santander Participações.

In August 2008, the partial spin-off of Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários was approved, with the transfer of the spun-off portion to Santander S.A. Corretora de Câmbio e Títulos. The spin-off is awaiting the approval of Bacen.

(2) Bank's subsidiary/affiliate until March 2008.

(3) In March 2008, an equity interest in REB Empreendimentos e Administradora de Bens Ltda. was acquired through the subsidiaries Santander Participações and Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda., of 99.9998% and 0.0002%, respectively.

4) In April 2008, a 16.6666% interest in Estruturadora Brasileira de Projetos S.A. – EBP was acquired through the subsidiary Santander Investimentos em Participações S.A., new stockholders were admitted into the entity, with a decrease of interest to 11.11%.

(5) Adjusted net income corresponds to the income for the period calculated as from August 29, 2008 after the approval at the stockholders' meeting that approved the merger of shares, as mentioned in note 2.

(6) It includes the results on investments in affiliates and subsidiaries of Produban Serviços de Informática S.A. On February 29, 2008, Banco Santander S.A. sold its interest in the company to Produban Servicios Informáticos Generales, S.L. headquartered in Spain.

(7) In November 2008, there was the partial spin-off of AADois Par with the partial transfer of its equity to ABN Amro Administradora de Cartões de Crédito Ltda., which became a subsidiary of Banco Santander.

(8) As provided for in the Stockholders' Agreement of Real Tokio Marine Vida e Previdência S.A. (RTMVP), due to the change in corporate control from Banco Real to Santander, AAB Dois Par exercised its right to acquire the remaining interest in RTMVP, which was transferred to Banco Santander on January 21, 2009. After the completion of the acquisition process, Santander will hold the entire capital of RTMVP.

17. Property and Equipment

				Bank
			2008	2007
	Cost	Depreciation	Net	Residual
Real estate	**341,985**	**(181,019)**	**160,966**	**131,874**
Buildings	238,291	(181,019)	57,272	50,170
Land	103,694	-	103,694	81,704
Other	**3,648,950**	**(1,285,595)**	**2,363,355**	**1,010,246**
Installations, furniture and equipment	627,013	(239,833)	387,180	214,561
Security and communication equipment	181,309	(97,891)	83,418	71,165
Data processing equipment	979,367	(660,855)	318,512	267,777
Leasehold improvements	508,431	(236,430)	272,001	336,989
Other (1)	1,352,830	(50,586)	1,302,244	119,754
Total	**3,990,935**	**(1,466,614)**	**2,524,321**	**1,142,120**

				Consolidated
			2008	2007
	Cost	Depreciation	Net	Residual
Real estate	**810,003**	**(391,752)**	**418,251**	**133,940**
Buildings	592,863	(391,752)	201,111	51,312
Land	217,140	-	217,140	82,628
Other	**5,741,067**	**(2,508,984)**	**3,232,083**	**1,010,278**
Installations, furniture and equipment	1,130,047	(473,770)	656,277	214,561
Security and communication equipment	300,435	(157,931)	142,504	71,198
Data processing equipment	1,585,790	(1,078,110)	507,680	267,777
Leasehold improvements	1,039,814	(579,485)	460,329	336,989
Other	1,684,981	(219,688)	1,465,293	119,753
Total	**6,551,070**	**(2,900,736)**	**3,650,334**	**1,144,218**

(1) In 2008, includes R$1,060,503 of buildings in progress related to the new head office.

18. Intangible

				Bank
			2008	2007
	Cost	Amortization	Net	Net
Goodwill on Acquired Companies	26,333,931	(570,857)	25,763,074	-
Exclusivity contracts for provision of banking services	2,041,491	(626,075)	1,415,416	1,407,604
Goodwill from merger	501,263	(501,263)	-	-
Acquisition and development of software	970,655	(460,130)	510,525	383,631
Other	268	(6)	262	-
Total	**29,847,608**	**(2,158,331)**	**27,689,277**	**1,791,235**

				Consolidated
			2008	2007
	Cost	Amortization	Net	Net
Goodwill on Acquired Companies	26,333,931	(570,857)	25,763,074	-
Exclusivity contracts for provision of banking services	2,458,832	(636,581)	1,822,251	1,407,604
Goodwill from merger	4,730,064	(4,727,637)	2,427	-
Acquisition and development of software	1,710,818	(966,728)	744,090	383,738
Other	219,970	(101,904)	118,066	-
Total	**35,453,615**	**(7,003,707)**	**28,449,908**	**1,791,342**

19. Money Market Funding and Borrowings and Onlendings

a) Deposits

						Bank
					2008	2007
	Without maturity	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Demand deposits	5,022,049	-	-	-	5,022,049	6,257,913
Savings deposits	8,314,895	-	-	-	8,314,895	6,288,137
Interbank deposits	-	226,339	4,041,939	-	4,268,278	4,003,312
Time deposits	569,155	7,819,572	12,953,814	19,113,026	40,455,567	25,987,920
Other deposits	378,308	-	-	-	378,308	397,267
Total	**14,284,407**	**8,045,911**	**16,995,753**	**19,113,026**	**58,439,097**	**42,934,549**
Current					**39,326,071**	**31,960,657**
Long-term					**19,113,026**	**10,973,892**

						Consolidated
					2008	2007
	Without maturity	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Demand deposits	14,729,644	-	-	-	14,729,644	6,251,442
Savings deposits	20,642,679	-	-	-	20,642,679	6,288,137
Interbank deposits	-	733,306	794,871	376,139	1,904,316	309,671
Time deposits	733,254	10,441,445	23,583,596	51,472,582	86,230,877	25,620,370
Other deposits	479,787	-	-	-	479,787	397,267
Total	**36,585,364**	**11,174,751**	**24,378,467**	**51,848,721**	**123,987,303**	**38,866,887**
Current					**72,138,582**	**28,461,371**
Long-term					**51,848,721**	**10,405,516**

b) Money market funding

					Bank
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Own portfolio	627,266	1,443,848	2,065,829	4,136,943	3,787,165
Third parties	13,084,478	-	-	13,084,478	19,382,271
Linked to trading portfolio operations	394,173	740,832	-	1,135,005	-
Total	**14,105,917**	**2,184,680**	**2,065,829**	**18,356,426**	**23,169,436**
Current				**16,290,597**	**20,706,678**
Long-term				**2,065,829**	**2,462,758**

					Consolidated
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Own portfolio	2,331,811	8,194,096	7,647,425	18,173,332	3,787,165
Third parties	11,666,815	-	-	11,666,815	19,327,675
Linked to trading portfolio operations	351,325	740,832	-	1,092,157	-
Total	**14,349,951**	**8,934,928**	**7,647,425**	**30,932,304**	**23,114,840**
Current				**23,284,879**	**20,652,082**
Long-term				**7,647,425**	**2,462,758**

c) Funds from acceptance and issuance of securities

					Bank
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Real estate credit notes, mortgage notes, credit and similar notes	**2,277,184**	**1,323,970**	**48,645**	**3,649,799**	**672,498**
Agribusiness credit notes - LCA	982,958	409,686	48,645	1,441,289	244,855
Real estate credit notes - LCI	1,294,226	914,284	-	2,208,510	427,643
Securities issued abroad	**390,539**	**368,233**	**808,939**	**1,567,711**	**1,488,759**
Total	**2,667,723**	**1,692,203**	**857,584**	**5,217,510**	**2,161,257**
Current				**4,359,926**	**1,388,143**
Long-term				**857,584**	**773,114**

					Consolidated
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Exchange acceptances	**3,164**	**22,934**	**122,350**	**148,448**	**-**
Real estate credit notes, mortgage notes, credit and similar notes	**3,281,571**	**3,553,397**	**50,416**	**6,885,384**	**672,498**
Agribusiness credit notes - LCA	1,279,561	688,161	48,645	2,016,367	244,855
Real estate credit notes - LCI	2,002,010	2,865,236	1,771	4,869,017	427,643
Securities issued abroad	**531,940**	**485,169**	**2,507,774**	**3,524,883**	**1,488,759**
Total	**3,816,675**	**4,061,500**	**2,680,540**	**10,558,715**	**2,161,257**
Current				**7,878,175**	**1,388,143**
Long-term				**2,680,540**	**773,114**

						Bank
					2008	2007
Securities issued abroad	Issuance	Maturity	Currency	Interest rate	Total	Total
Eurobonds	November-05	November-13	R$	17.10%	340,256	-
Eurobonds (1)	November-05	May-09	R$	IPCA+6%	208,677	189,423
Eurobonds	March-05	March-13	R$	17.00%	169,223	-
Eurobonds (1)	April-06	August-10	R$	IPCA+6%	151,895	136,369
Eurobonds (1)	March-07	January-14	R$	10.00%	26,105	112,919
Eurobonds (1)	December-05	May-09	R$	IPCA+6%	88,825	80,699
Eurobonds (1)	January-06	May-09	R$	IPCA+6%	66,299	56,734
Eurobonds (1)	May-06	August-10	R$	IPCA+6%	60,555	47,460
Eurobonds (2)	June-07	May-17	R$	FIDC (3)	28,818	-
Eurobonds	July-05	July-08	US$	5.00%	-	101,120
Eurobonds	April-05	April-08	R$	17.65%	-	168,456
Structured Notes	December-07	January-08	R$	67.00% CDI	-	103,266
Structured Notes	October-08	January-09	R$	86.00% CDI	56,860	-
Structured Notes	October-08	January-09	R$	85.00% CDI	32,890	-
Structured Notes	October-08	January-09	R$	83.00% CDI	26,121	-
Structured Notes	October-08	February-09	R$	82.00% CDI	22,760	-
Structured Notes	November-08	February-09	R$	85.00% CDI	21,635	-
Others					266,792	492,313
Total					**1,567,711**	**1,488,759**

Securities issued abroad	Issuance	Maturity	Currency	Interest rate	Consolidated 2008 Total	2007 Total
Eurobonds	February-05	February-10	R$	16.20%	842,802	-
Eurobonds	November-05	November-13	R$	17.10%	340,256	-
Eurobonds (1)	November-05	May-09	R$	IPCA+6%	208,677	189,423
Eurobonds	March-05	March-13	R$	17.00%	169,223	-
Fixed Rate Notes	November-07	January-15	R$	100.00% CDI	184,606	-
Fixed Rate Notes	October-07	January-15	R$	100.00% CDI	190,643	-
Eurobonds (1)	April-06	August-10	R$	IPCA+6%	151,895	136,369
Fixed Rate Notes	September-06	June-13	R$	100% CDI+0.35%	122,715	-
Fixed Rate Notes	August-07	June-12	US$	4.44%	93,664	-
Eurobonds (1)	March-07	January-14	R$	10.00%	26,105	112,919
Fixed Rate Notes	October-06	June-13	R$	100% CDI+0.27%	72,435	-
Fixed Rate Notes	August-99	August-14	US$	100% CDI+7.48%	70,954	-
Fixed Rate Notes	April-99	March-11	US$	4.38%	42,730	-
Fixed Rate Notes	August-07	August-12	US$	4.60%	39,904	-
Fixed Rate Notes	June-07	June-13	US$	4.44%	34,198	-
Fixed Rate Notes	April-08	March-13	US$	4.55%	28,271	-
Fixed Rate Notes	February-08	December-10	US$	4.44%	26,975	-
Fixed Rate Notes	April-08	March-13	US$	4.70%	23,626	-
Fixed Rate Notes	August-06	June-13	US$	4.44%	21,074	-
Eurobonds (1)	December-05	May-09	R$	IPCA+6%	88,825	80,699
Eurobonds (1)	January-06	May-09	R$	IPCA+6%	66,299	56,734
Eurobonds (1)	May-06	August-10	R$	IPCA+6%	60,555	47,460
Eurobonds (2)	June-07	May-17	R$	FIDC (3)	28,818	-
Eurobonds	July-05	July-08	US$	5.00%	-	101,120
Eurobonds	April-05	April-08	R$	17.65%	-	168,456
Structured Notes	December-07	January-08	R$	67.00% CDI	-	103,266
Structured Notes	October-08	January-09	R$	86.00% CDI	56,860	-
Structured Notes	October-08	January-09	R$	85.00% CDI	32,890	-
Structured Notes	October-08	January-09	R$	83.00% CDI	26,121	-
Structured Notes	October-08	February-09	R$	82.00% CDI	22,760	-
Structured Notes	November-08	February-09	R$	85.00% CDI	21,635	-
Others					429,367	492,313
Total					**3,524,883**	**1,488,759**

(1) Indexed Linked Sovereign Notes

(2) Indexed Linked Credit Event Notes

(3) Indexed to Receivables Investment Fund Income (FIDC)

d) Money market funding expenses

	Bank 2008	Bank 2007	Consolidated 2008	Consolidated 2007
Time deposits	4,268,924	2,552,063	6,649,063	2,529,640
Savings deposits	493,423	392,422	781,010	392,422
Interbank deposits	475,122	415,823	77,125	34,218
Money market funding	1,816,966	2,411,894	1,721,069	2,402,406
Others	2,564,349	787,254	3,449,420	787,256
Total	**9,618,784**	**6,559,456**	**12,677,687**	**6,145,942**

e) Borrowings and onlendings

					Bank
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Local borrowings	-	184,583	-	184,583	-
Foreign borrowings	5,986,583	3,696,197	1,566,449	11,249,229	7,282,536
Import and export financing lines	5,028,049	2,992,785	1,225,014	9,245,848	6,232,645
Other credit lines	958,534	703,412	341,435	2,003,381	1,049,891
Domestic onlendings	573,638	1,242,742	2,451,194	4,267,574	4,380,392
Total	6,560,221	5,123,522	4,017,643	15,701,386	11,662,928
Current				11,683,743	8,380,720
Long-term				4,017,643	3,282,208

					Consolidated
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Local borrowings	-	352,314	232,181	584,495	-
Foreign borrowings	7,431,424	4,429,138	1,962,145	13,822,707	7,282,536
Import and export financing lines	6,104,788	3,725,726	1,620,710	11,451,224	6,232,645
Other credit lines	1,326,636	703,412	341,435	2,371,483	1,049,891
Domestic onlendings	873,005	2,110,862	4,856,375	7,840,242	4,380,392
Foreign onlendings	77,457	669,276	2,536,011	3,282,744	-
Total	8,381,886	7,561,590	9,586,712	25,530,188	11,662,928
Current				15,943,476	8,380,720
Long-term				9,586,712	3,282,208

Export and import financing lines are funds raised from foreign banks, for use in commercial foreign exchange transactions, related to the discounting of export bills and export and import pre-financing, falling due through 2014 and subject to financial charges corresponding to exchange variation plus interest ranging from 1,71% to 9,43% p.a. in the Bank and from 0,95% to 9,43% p.a. in the Consolidated (2007 - from 0,25% to 7,40% p.a. in the Bank and Consolidated).

Domestic onlendings - official institutions are subject to financial charges corresponding to the Long-Term Interest Rate (TJLP), exchange variation of the BNDES basket of currencies, or US dollar exchange variation, plus interest rate in accordance with the operating policies of the BNDES System.

In Consolidated, foreign onlendings are subject to interest ranging from 0.95% p.a. to 5.55% p.a. and exchange rate change, and mature from April 1, 2009 to July 11, 2014.

20. Tax and Social Security

Tax and social security payables comprise taxes payable and amounts being challenged in the courts.

		Bank		Consolidated
	2008	2007	2008	2007
Reserve for tax contingencies (Note 24)	1,460,410	2,076,861	5,521,211	2,395,446
Reserve for tax contingencies - responsibility of former controlling stockholders (Note 24.h)	459,291	609,613	459,291	609,613
Provision for deferred taxes	1,542,886	716,125	2,732,855	741,839
Accrued taxes on income	2,215	5,837	388,418	12,147
Taxes payable	126,855	151,090	462,849	179,579
Total	3,591,657	3,559,526	9,564,624	3,938,624
Current	184,085	156,927	1,414,571	191,726
Long-term	3,407,572	3,402,599	8,150,053	3,746,898

Nature and origin of deferred tax liabilities

				Bank
	12/31/2007	Recognition	Realization	12/31/2008
Adjustment to fair value of trading securities and derivatives	434,665	752,651	-	1,187,316
Adjustment to fair value of available-for-sale securities	248,582	1,994	(89,771)	160,805
PIS/COFINS - Adjustment to fair value of securities	-	156,719	-	156,719
Deferred income from derivatives (1)	32,086	-	(32,086)	-
Excess depreciation of leased assets	-	38,046	-	38,046
Others	792	-	(792)	-
Total	**716,125**	**949,410**	**(122,649)**	**1,542,886**

				Bank
	12/31/2006	Recognition	Realization	12/31/2007
Adjustment to fair value of trading securities and derivatives	223,354	211,311	-	434,665
Adjustment to fair value of available-for-sale securities	141,556	107,792	(766)	248,582
Deferred income from derivatives (1)	82,929	-	(50,843)	32,086
Other	-	792	-	792
Total	**447,839**	**319,895**	**(51,609)**	**716,125**

					Consolidated
	12/31/2007	Acquisition/ Disposal (2)	Recognition	Realization	12/31/2008
Adjustment to fair value of trading securities and derivatives	435,767	-	754,409	(664)	1,189,512
Adjustment to fair value of available-for-sale securities	248,583	1,111	42,521	(89,888)	202,327
PIS/COFINS - Adjustment to fair value of securities	-	8,603	156,787	(3,390)	162,000
Deferred income from derivatives (1)	32,086	95,141	-	(126,885)	342
Excess depreciation of leased assets	3,169	785,075	392,091	(4,045)	1,176,290
Others	22,234	2,937	655	(23,442)	2,384
Total	**741,839**	**892,867**	**1,346,463**	**(248,314)**	**2,732,855**

				Consolidated
	12/31/2006	Recognition	Realization	12/31/2007
Adjustment to fair value of trading securities and derivatives	223,394	212,373	-	435,767
Adjustment to fair value of available-for-sale securities	144,581	107,792	(3,790)	248,583
PIS/COFINS - Adjustment to fair value of securities	82,929	-	(50,843)	32,086
Deferred income from derivatives (1)	5,169	-	(2,000)	3,169
Others	-	22,234	-	22,234
Total	**456,073**	**342,399**	**(56,633)**	**741,839**

(1) Income from derivatives to be taxed on a cash basis, according to Law No. 11,051/2004, regulated by Federal Revenue Service (SRF) Regulatory Instruction No. 575/2005.

(2) Purchased companies/Disposal of equity interest (Notes 2 and 16).

21. Subordinated Debts

Consist of securities issued according to the rules of the Central Bank of Brazil, which are used as Level II Reference Equity for calculating the operating limits.

						Bank
					2008	2007
	Issuance	Maturity	Amount	Interest rate	Total	Total
Perpetual Bonds (1)	September-05	Indeterminate	US$ 500 million	8.70%	1,171,324	8 87,790
Subordinated Certificates of Deposit (2)	June-06	July-16	R$1,500 million	105.00% CDI	2,050,292	1 ,813,986
Subordinated Certificates of Deposit (2)	October-06	September-16	R$ 850 million	104.50% CDI	1,111,313	9 83,802
Subordinated Certificates of Deposit (2)	June-06 to October-06	July-16	R$447 million	104.50% CDI	603,266	534,047
Subordinated Certificates of Deposit (2)	May-08 to June-08	May-13 to May-18	R$283 million	CDI (4)	305,087	-
Subordinated Certificates of Deposit (2)	May-08 to June-08	May-13 to May-18	R$268 million	IPCA (5)	288,447	-
Total					**5,529,729**	**4,219,625**
Current					**2,824**	**2,140**
Long-term					**5,526,905**	**4,217,485**

	Issuance	Maturity	Amount	Interest rate	Consolidated 2008 Total	2007 Total
Perpetual Bonds (1)	September-05	Indeterminated	US$500 milhões	8.70%	1,171,324	887,790
Floating Rate Notes	November-99	November-09	US$170 milhões	Libor + 4.50%	80,400	-
Floating Rate Notes	November-99	November-09	US$30 milhões	Libor + 4.50%	14,167	-
Subordinated Certificates of Deposit (2)	June-06	July-16	R$1,500 milhões	105.00% CDI	2,050,292	1,813,986
Subordinated Certificates of Deposit (2)	April-08	April-13	R$555 milhões	100.00% CDI + 1.00%	612,183	-
Subordinated Certificates of Deposit (2)	July-07	July-14	R$885 milhões	104.50% CDI	1,046,778	-
Subordinated Certificates of Deposit (2)	April-08	April-13	R$600 milhões	100.00% CDI + 1.25%	659,220	-
Subordinated Certificates of Deposit (2)	November-08	November-14	R$100 milhões	120.50% CDI	102,184	-
Subordinated Certificates of Deposit (2)	October-06	September-16	R$850 milhões	104.50% CDI	1,111,313	983,802
Subordinated Certificates of Deposit (2)	July-06 to October-06	July-16	R$447 milhões	104.50% CDI	603,266	5 34,047
Subordinated Certificates of Deposit (2)	January-07	January-13	R$300 milhões	104.00% CDI	378,974	-
Subordinated Certificates of Deposit (2)	August-07	August-13	R$300 milhões	100.00% CDI + 0.43%	353,546	-
Subordinated Certificates of Deposit (2)	January-07	January-14	R$250 milhões	104.50% CDI	316,086	-
Subordinated Certificates of Deposit (2)	May-08 to June-08	May-13 to May-18	R$283 milhões	CDI (3)	305,087	-
Subordinated Certificates of Deposit (2)	May-08 to June-08	May-13 to May-18	R$268 milhões	IPCA (4)	288,447	-
Subordinated Certificates of Deposit (2)	February-08	February-13	R$85 milhões	IPCA + 7.88%	95,175	-
Total					**9,188,442**	**4,219,625**
Current					**97,391**	**2,140**
Long-term					**9,091,051**	**4,217,485**

(1) Perpetual bonds issued by the Grand Cayman branch with quarterly interest payments. These bonds do not have a maturity date or mandatory redemption, although they may, at the discretion of Banco Santander S.A. and with prior authorization by the Central Bank of Brazil, be redeemed in full in December 2010 or on any subsequent interest payment date.

(2) Subordinated certificates of deposit issued by Banco Santander S.A. with yield paid at the end of the term together with the principal.

(3) Indexed to 109% and 112% of the CDI or CDI plus interest of 1.16% p.a. to 1.53% p.a.

(4) Indexed to the IPCA (extended consumer price index) plus interest of 8.28% p.a. to 8.65% p.a.

22. Insurance, Pension plan and Capitalization Operations

The tables below show the positions of the technical reserves and the results of insurance, pension plan and capitalization operations of the companies Real Tókio Marine Vida and Previdência S.A. and Real Capitalização S.A.

a) Technical reserves for insurance, pension plan and capitalization operations

	Consolidated 2008
Insurance	**108,126**
Unearned premium	68,067
IBNR	5,259
Claims payable	9,455
Other	25,345
Pension Plan	**3,002,641**
Unvested benefits	2,859,604
Vested benefits	106,892
Financial surplus	1,101
IBNR	1,528
Risk fluctuation	314
Unexpired risks	1,287
Other	31,915
Capitalization	**719,293**
Reserve for redemptions	70,479
Mathematical reserve	621,701
Drawings	27,035
Other	78
Total	**3,830,060**
Current	**3,830,060**

b) Income from insurance, pension plan and capitalization operations

	Consolidated
	2008
Insurance	**21,217**
Premium income	32,207
Change in technical reserve	(3,564)
Claims expenses	(7,426)
Pension Plan	**21,458**
Income from contributions	465,496
Redemption expenses	(139,988)
Change in technical reserve	(298,212)
Benefit expenses	(5,838)
Capitalization	**29,898**
Net income from capitalization certificates	218,550
Change in technical reserve	(7,830)
Redemption and drawing expenses	(180,822)
Trading	**(18,798)**
Insurance trading	(11,204)
Pension Plan trading	(7,594)
Total	**53,775**

23. Other Payables - Other

	Bank		Consolidated	
	2008	2007	2008	2007
Credit cards	2,150,460	1,565,455	4,898,337	1,565,455
Reserve for labor and civil contingencies (Note 24)	1,615,569	1,369,727	3,408,907	1,417,314
Reserve for contingencies - Responsibility of former controlling stockholders (Note 24.h)	195,247	270,625	195,247	270,625
Sale of right to receipt of future flow of payment orders from abroad (1)	1,816,289	644,160	1,816,289	644,160
Payables for acquisition of assets and rights (2)	1,097,670	461,796	1,250,565	461,796
Pension plan (Note 37)	526,833	495,170	526,833	495,170
Accrued liabilities				
Personnel expenses	478,772	449,391	819,109	461,583
Administrative expenses	393,687	280,057	693,564	282,096
Other payments	49,600	155,936	256,592	158,748
Payables to suppliers	102,319	209,431	104,128	210,238
Creditors for unreleased funds	55,612	90,940	200,037	90,940
Agreements with official institutions	211,891	70,509	532,744	70,509
Provision of payment services	7,143	5,897	140,208	5,897
Other	766,642	450,097	1,542,035	4 61,340
Total	**9,467,734**	**6,519,191**	**16,384,595**	**6,595,871**
Current	**4,463,015**	**4,470,103**	**10,824,526**	**4,462,093**
Long-term	**5,004,719**	**2,049,088**	**5,560,069**	**2,133,778**

(1) Payable for sale of right to receipt of future flow of payment orders receivable from foreign correspondent banks. It includes the series 2004-1 in the amount of US$277 million (2007- US$360 million), with charges equivalent to 5.5% p.a., payable semiannually until September 2011, the series 2008-1 in the amount of US$190 million, with charges equivalent to 6.2% p.a., payable semiannually, with the principal payable in 10 installments between September 2010 to September 2015 and the series 2008-2 in the amount of US$300 million, with charges equivalent to Libor (6 months) + 0.80 p.a., payable semiannually, with the principal payable in 10 installments between March 2010 to September 2014.

(2) Refers basically to export note loan operations in the amount of R$1,054,940 (2007 - R$419,540).

24. Contingent Assets and Liabilities and Legal Obligations - Tax and Social Security

Banco Santander S.A. and its subsidiaries are parties to judicial and administrative proceedings involving tax, civil and labor matters arising in the normal course of their business.

Reserves were recognized based on the nature, complexity and history of the lawsuits, and the opinion of the in-house and outside legal counsel. Santander's policy is to accrue the full amount of lawsuits whose likelihood of unfavorable outcome is probable.

Legal obligations - tax and social security were fully recognized in the financial statements, except for the cases which, in Management's opinion, based on experts' evaluation and the status of the lawsuit, will not produce effects on the balance sheet for Santander entities.

Management understands that the recognized reserves are sufficient to cover possible losses on the lawsuits.

a) Contingent assets

In 2008 no contingent assets were accounted for.

b) Contingent liabilities and legal obligations by nature

		Bank		Consolidated
	2008	2007	2008	2007
Reserve for tax contingencies [1] (Note 20)	**1,460,410**	**2,076,861**	**5,521,211**	**2,395,446**
Reserve for labor and civil contingencies (Note 23)	**1,615,569**	**1,369,727**	**3,408,907**	**1,417,314**
Reserve for labor contingencies	1,217,540	1,036,653	2,220,082	1,074,131
Reserve for civil contingencies	398,029	333,074	1,188,825	343,183
Total	**3,075,979**	**3,446,588**	**8,930,118**	**3,812,760**

(1) Includes, mainly, legal obligations.

c) Changes in contingent liabilities and legal obligations

						Bank
			2008			2007
	Tax	Labor	Civil	Tax	Labor	Civil
Initial Balance	**2,076,861**	**1,036,653**	**333,074**	**1,798,275**	**906,595**	**335,774**
Recognition [1]	548,160	781,798	214,313	322,454	818,936	113,903
Provision reversal	-	-	-	(14,979)	-	-
Write-offs due to payment [2]	(1,299,000)	(600,911)	(149,358)	(28,889)	(688,878)	(116,603)
Other [2]	134,389	-	-	-	-	-
Final Balance	**1,460,410**	**1,217,540**	**398,029**	**2,076,861**	**1,036,653**	**333,074**
Escrow deposits - other receivables [3]	595,864	383,349	57,866	572,260	213,421	31,374
Escrow deposits - securities [3]	14,989	76,635	5,795	14,168	17,838	6,207

						Consolidated
			2008			2007
	Tax	Labor	Civil	Tax	Labor	Civil
Initial Balance	**2,395,446**	**1,074,131**	**343,183**	**2,086,111**	**951,988**	**345,993**
Recognition [1]	863,527	1,023,187	310,885	360,260	833,363	118,542
Provision reversal	(99,574)	(29,405)	(19,705)	(20,557)	(415)	(1,101)
Purchased companies/Disposal		-				
of equity interest (Notes 2 and 16)	3,508,138	836,279	744,936	-	-	-
Sale [2]	(1,302,059)	(684,110)	(190,474)	(30,368)	(710,805)	(120,251)
Write-offs due to payment [2]	155,733	-	-	-	-	-
Final Balance	**5,521,211**	**2,220,082**	**1,188,825**	**2,395,446**	**1,074,131**	**343,183**
Escrow deposits - other receivables [3]	1,603,755	1,007,198	217,658	681,413	221,563	32,884
Escrow deposits - securities [3]	34,016	76,808	142,755	26,553	17,869	6,281

(1) Includes the accrual for tax contingencies and legal obligations for the period, recorded under "Tax Expenses".

(2) In September 2008, after having received unfavorable decisions from the Federal Regional Court on appeals filed, the Bank paid the amount of R$1,298,505 related to the lawsuit that challenged the increase in social

(3) Do not include escrow deposits for possible and/or remote contingencies and appeal deposits.

d) Legal obligations - tax and social security

d) These refer to legal and administrative processes related to tax and social security obligations. The main processes are:

PIS and Cofins - R$ 670,371 in the Bank and R$ 2,210,489 in Consolidated (in 2007 - R$ 208,249 in the Bank and R$ 210,883 in Consolidated): several of the conglomerate's companies filed lawsuits designed to suppress the text of art. 3, §1 of Law 9.718/1998 that modified the calculation base of the PIS and Cofins so that they incur on all corporate revenues. Before the aforementioned rule, which already has been suppressed in innumerable recent decisions of the Federal Supreme Court, only services rendered and the sale of merchandise were so taxed.

Deductability of the CSLL in the IRPJ - R$ 387,897 in the Banco and R$ 549,739 in Consolidated (in 2007 - R$ 333.938 in the Banco and R$ 392,786 in Consolidated): a request by a number of the conglomerate's companies to deduct the Social Contribution expense from Net Income when calculating Income Taxes Payable.

CSLL - equal tax treatment - R$502,948 Consolidated: lawsuit filed by several companies of the group challenging the application of an increased CSLL rate (18%) for financial institutions as compared to the rate for non-financial companies (8%).

Increase in CSLL tax rate - R$136,853 Consolidated: in September 2008, the Bank and the other entities of the group filed for an injunction to avoid the increase in the CSLL tax rate established by Executive Act 413/2008, converted into Law 11727/2008. Financial institutions were subject to a CSLL tax rate of 9%, however the new legislation established a 15% tax rate.

IRPJ – Recognition in the same period - R$381,044 Consolidated: lawsuit claiming that, for IRPJ calculation purposes, depreciation expenses be recognized in the same period as revenues from lease payments are recognized.

e) Tax and social security contingencies

Refer to judicial and administrative proceedings related to taxes and social security classified, based on the legal counsel's opinion, as probable loss, for which reserves were

ISS (service tax) - Financial Institutions - refers to administrative and judicial proceedings with several municipalities that require the payment of ISS on several revenues from operations that usually do not qualify as service provision. The updated amount involved is R$75,820 n the Bank and R$279,554 in the Consolidated (2007 - R$62,875 in the Bank and R$87,994 in the Consolidated).

INSS (social security contribution) - refers to administrative and judicial proceedings seeking collection of social security contribution and salary premium for education on amounts that normally are not of a salary nature. The updated amount involved is R$72,472 in the Bank and R$159,752 in the Consolidated (2007 - R$93,042 in the Bank and R$120,498 in the Consolidated).

Allowance for doubtful accounts - R$205,714 Consolidated: collection of IRPJ and CSLL levied on the allowance for doubtful accounts, arising from the deduction, considered undue by tax authorities, in calendar 1995, alleging that the tax criteria in effect at the time were not complied with.

Allowance for loan losses - R$90,466 Consolidated: intended to annul the assessment notices issued by the Federal Revenue Service alleging that the companies incorrectly deducted from the IRPJ and CSLL bases losses on lending operations, as these deductions did not meet the terms and conditions set forth by prevailing legislation.

f) Labor contingencies

These are lawsuits brought by labor unions and former employees claiming labor rights they understand are due, especially payment for overtime and other labor rights, including retirement benefit lawsuits.

For labor claims considered to be similar and usual, the reserve is recorded based on the history of payments made. Other labor claims are controlled individually and the reserves are recognized based on previous court decisions and the stage of each lawsuit.

g) Civil contingencies

Refer to lawsuits for indemnity and review of lending agreements.

Lawsuits for indemnity seek indemnity for property damage and/or pain and suffering, relating to the consumer relationship, principally with undue protest, return of checks, inclusion of debtors' information into the credit restriction master file, elimination of inflation effects in escrow deposit accounts and other matters.

Lawsuits for review refer to challenges of lending agreement clauses by customers.

There are also lawsuits filed by minority stockholders of the former Banco Noroeste against corporate acts in 1998 and 1999. Although there are unfavorable decisions from the lower court, experts believe that the Bank has good chances to overturn such decisions through the appeals filed with the São Paulo State Court of Justice.

For civil lawsuits considered to be similar and usual, the reserve is recorded based on the history of payments made, based on the legal counsel's evaluation of success and classification. Other lawsuits are controlled individually and the reserves are recognized based on the status of each lawsuits, law and previous court decisions.

h) Other lawsuits under the responsibility of former controlling stockholders

Refer to tax, labor and civil lawsuits in the amounts of R$459,291, R$137,861 and R$57,386 (2007 - R$609,613, R$177,791 and R$92,834), respectively, recorded under "Other payables - tax and social security" (Note 20) and "Other payables - other" (Note 23) which are the responsibility of the former controlling stockholders of the acquired entities. The lawsuits have guarantees under the agreements signed at the time of the acquisitions in the amount of R$654538 (2007 - R$880,238), recorded under "Other receivables - other" (Note 13). These lawsuits have no effects on the balance sheet for the Bank and Consolidated.

i) Contingent liabilities classified as possible loss risk

Refer to judicial and administrative proceedings involving tax, civil and labor matters assessed by the legal counsel as possible loss, which were not accounted for. The main lawsuits are:

CPMF (tax on banking transactions) on Customer Operations – in May 2003, the Federal Revenue Service issued an Infraction Notice against Santander Distribuidora de Títulos e Valores Mobiliários Ltda. (Santander DTVM) and another Infraction Notice against the former Banco Santander Brasil S.A., both in the amount of R$290 million. The notices refer to the collection of a CPMF tax credit on transactions conducted by Santander DTVM in the management of its customers' funds and clearance services provided by the Bank to Santander DTVM, according to the agreement between these two companies, in 2000, 2001 and the first two months of 2002. Both companies consider that the tax treatment adopted was adequate since said transactions were subject to CPMF at zero rate. The Board of Tax Appeals judged the administrative proceedings, annulling the infraction notice of Santander DTVM and confirming the infraction notice of the Bank. In both cases, an administrative appeal can be filed with the Higher Board of Tax Appeals (CSRF). The updated amount of each proceeding is approximately R$ 530 million.

IRPJ and CSLL on Reimbursement arising from Contractual Guarantees – in December 2007, the Federal Revenue Service issued an Infraction Notice in the amount of R$320 million against Banco Santander S.A. The notice refers to the collection of IRPJ and CSLL for tax year 2002 on amounts reimbursed by the former controlling stockholder of Banco Santander S.A. for payments made by the Bank that were the responsibility of the controlling stockholder. The Federal Revenue Service understood that the amount deposited in favor of Santander S.A. is not a reimbursement but a taxable income. The Bank has filed an administrative defense and the decision was unfavorable. The updated amount of each proceeding is approximately R$350 million.

Addition to the Price on the Purchase of Shares of Banco do Estado de São Paulo S.A. – Banespa - the former Banco Santander S.A. (former controlling stockholder of Banespa) filed an ordinary action claiming the inexistence of legal relationship before the National Treasury in relation to item 3.1 of the Banespa's Share Purchase and Sale Agreement. Such item provided for the payment of an addition to the minimum price should Banespa be released from the tax contingency recognized at the time of the privatization upon the setting of the minimum price. The updated amount involved is approximately R$299 million. After an unfavorable lower court decision, on April 23, 2008, the 1st Region Federal Court accepted the appeal filed by the Bank and declared undue the collection.

Deductibility of Expenses on Allowance for Doubtful Receivables – Administrative collection by the Federal Revenue Service in view of the deduction from the IRPJ and CSLL basis of losses on lending operations performed in 1998 and 2000. The Bank is awaiting judgment and understands that the collection is undue since the expenses met the deductibility conditions of Law 9430/1996 as they referred to definitive losses. The updated amount involved is approximately R$211 million - Bank and Consolidated.

CSLL - Unconstitutionality - Noncompliance with the amnesty established by Law 9779/1999 – claims that entities that joined the amnesty failed to comply with the requirements of such Law, alleging that such entities were not supported by an injunction for all periods paid (1989 to 1999). The judicial and administrative proceedings are awaiting judgment. The updated amount involved is approximately R$159 million, Consolidated.

CSLL - equal tax treatment – Lawsuit regarding the difference in social contribution tax rate applied to financial institutions and equivalent entities in the first half of 1996, as such tax rate was higher than the rates applied to other legal entities, which is contrary to the precedence and non-retroactivity constitutional principle. There is a lawsuit awaiting judgment and other appeals pending decisions. The adjusted amount involved is approximately R$152 million, Consolidated.

CSLL – final and unappealable decision – seeks ensuring the right not to recognize the tax credit formalized by the Federal Revenue Service, regarding alleged irregularities in the payment of CSLL, as the Entity obtained a final and unappealable decision canceling the payment of CSLL under Laws 7689/1988 and 7787/1989. The appeals filed with the Regional Federal Court are awaiting decision. The updated amount involved is approximately R$150 million, Consolidated.

Semiannual Bonus or Profit Sharing – labor lawsuit relating to the payment of a semiannual bonus or, successively, profit sharing to retired employees from the former Banco do Estado de São Paulo S.A. - Banespa, hired by May 22, 1975. This lawsuit was filed by Banespa's Retirees Association and was judged by the Superior Labor Court on June 25, 2008; to date the decision has not been published. The involved amount is not disclosed due to the current stage of the lawsuit and the possibility of affecting its progress.

25. Stockholders' Equity

a) Capital

Authorized capital is represented by 325,758,283 thousand registered shares without par value, being 174,292,416 thousands of ordinary shares and 151,465,867 thousands of preferred shares. The fully paid-up capital is composed as presented below:

						Shares in thousands
			2008			2007
	Common	Preferred	Total	Common	Preferred	Total
Brazilian residents	2,734,410	3,993,767	6,728,177	498,688	2,048,621	2,547,309
Foreign residents	171,558,006	147,472,100	319,030,106	70,537,235	59,683,935	130,221,170
Total	**174,292,416**	**151,465,867**	**325,758,283**	**71,035,923**	**61,732,556**	**132,768,479**

The Extraordinary Stockholders' Meeting held on August 29, 2008 approved the increase in Banco Santander's total capital from R$38,920,753, of which R$38,020,753 were allocated to Capital and R$900,000 to Capital Reserves, through the issuance of 189,300,327,000 shares, of which 101,282,490,000 are common shares and 88,017,837,000 are preferred shared, without par value, related to the merger of shares of Banco Real and AAB Dois Par, as mentioned in note 2.

At the meeting held on June 4, 2008, the Board of Directors approved a capital increase of 3,689,477 thousand shares (1,974,003 thousand common shares and 1,715,474 thousand preferred shares), in the amount of R$800,000, ratified by the Extraordinary Stockholders' Meeting on July 25, 2008.

At the meeting held on April 25, 2007, the Board of Directors approved a capital increase of 9,612,358 thousand shares (5,142,958 thousand common shares and 4,469,400 thousand preferred shares), in the amount of R$1,500,000, which was approved at the Extraordinary Stockholders' Meeting on June 25, 2007.

b) Dividends and Interest on Capital

In accordance with the Bank's bylaws, stockholders are entitled to a minimum dividend equivalent to 25% of net income for the year, adjusted according to legislation. Preferred shares are nonvoting and nonconvertible, but have the same rights and advantages granted to common shares, in addition to priority in the payment of dividends 10% higher than those paid on common shares, and in the capital reimbursement, without premium, in the event of liquidation of the Bank.

In December 2008, the meeting of the Executive Board and Board of Directors approved the following payments:

Dividends, based on net income for the first half, in the amount of R$752,807 (R$2.2084 - common shares and R$2.4293 - preferred shares, in reais per thousand shares), based on net income for the nine-month period ended September 30, 2008, in the amount of R$217,193 (R$0.6372 - common shares and R$0.7009 preferred shares, in reais per thousand shares), attributed to mandatory minimum dividends for 2008.

Interest on capital, calculated for 2008, in the amount of R$480,000 (R$1.4081 - common shares and R$1.5489 - preferred shares, in reais per thousand shares, and R$1.1969 - common shares and R$1.3166 - preferred shares, net of income tax, in reais per thousand shares), attributed to mandatory minimum dividends for 2008 and that generated a tax benefit of R$192,000.

Dividends, based on the dividend equalization reserve, in the amount of R$3,045 (R$0.0089 - common shares and R$0.0098 - preferred shares, in reais per thousand shares).

In December 2007 it was approved the following destinations:

Dividend based on the income reported in the balance sheet as of June 30, 2007, in the amount of R$647,050 (R$4.6570 - common shares and R$5.1227 - preferred shares, in reais per thousand shares) and on income for the 3rd quarter of 2007, in the amount of R$327,628 (common shares R$2.3580 - preferred shares R$2.5938, in reais per thousand shares). The dividends will be attributable to mandatory minimum dividends for fiscal 2007.

Dividends based on the income reported in the balance sheet for this specific purpose as of October 31, 2007, in the amount of R$240,728 (R$1.7326 - common shares and R$1.9058 - preferred shares, in reais per thousand shares). The dividends will be attributable to mandatory minimum dividends for fiscal 2007.

Payment of interest on capital, based on the income for the 2nd half of 2007, in the amount of R$264,600 (R$1.9044 - common shares and R$2.0948 - preferred shares, in reais per thousand shares and R$1.6187 - common shares and R$1.7806 - preferred shares, net of income tax, in reais per thousand shares), which will be included in the calculation of mandatory minimum dividends for 2007 and generated a tax benefit of R$89,964.

In June 2007 it was approved the following destinations:

Dividends, based on the reserve for dividend equalization in the amount of R$521,762 (R$3.7553 - common shares and R$4.1308 - preferred shares, in reais per thousand shares).

Payment of interest on capital, calculated in the first half of 2007, in the amount of R$263,000 (R$1.8929 - common shares and R$2.0822 - preferred shares, in reais per thousand shares and R$1.6089 - common shares and R$1.7698 - preferred shares, net of income tax, in reais per thousand shares), which will be included in the Bank's calculation of mandatory minimum dividends for 2007 and generated a tax benefit of R$89,420.

c) Dividend equalization reserve

Limited to 50% of the capital, intended to assure funds for the payment of dividends, including in the form of interest on capital, or its prepayments, in order to maintain the flow of payments to stockholders.

d) Consolidated stockholders' equity – Unrealized Results

The Consolidated Stockholders' Equity is decreased by R$37,328 (2007 - R$36,839) of unrealized results and the realization of these results affected net income by R$39,709 (2007 - R$7,448).

26. Operational Ratios

Financial institutions are required to maintain regulatory capital consistent with their activities, higher to the minimum of 11% of required capital. In July 2008 new regulatory capital measurement rules, under the Basel II Standardized Approach, went into effect, including a new methodology for credit risks and operational risks measurement, analysis and management. This ratio must be calculated on a consolidated basis, as shown below:

	Financial Consolidated (1) (2)
	2008
Adjusted Tier I Regulatory Capital (2)	23,033,013
Tier II Regulatory Capital	8,504,338
Adjusted Regulatory Capital (Tier I and II) (2)	**31,537,351**
Required Regulatory Capital	**23,527,735**
Adjusted Portion of Credit Risk (2)	22,324,423
Market Risk Portions (3)	916,186
Operational Risk Portion	287,126
Basel II Ratio	**14,7%**

(1) Amounts calculated based on the consolidated information of the financial institutions (financial group).

(2) Disregards the effect of goodwill on the merger of the shares of Banco Real and AA Dois Par, as determined by the international rule.

(3) Includes the portions for the Market Risk exposures subject to foreign currency coupon rates, price and interest rate indices, price of commodities, price of shares classified in the trading portfolio, interest rates not

The financial institutions must maintain investments in permanent assets consistent with their capital. Funds invested in permanent assets, determined on a consolidated basis, are limited to 50% of capital adjusted pursuant to prevailing regulation. Due to the recording of goodwill on the merger of the shares of Banco Real and AA Dois Par, Santander exceeded the limit for investment in permanent assets. The effect, arising exclusively from the mentioned corporate restructuring, does not represent any adverse impact on the financial position of Santander. As required by prevailing regulation, a regularization plan was prepared so that said limit is met, which was approved by the regulatory agency (Bacen).

27. Related-Party Transactions

a) Management compensation

The Annual Stockholders' Meetings define the maximum aggregate compensation for the Board of Directors and the Executive Board. In 2008, the stockholders defined a maximum aggregate compensation of R$108,702 and there was no resolution on port-employment benefits.

I) Short-term benefits

	Consolidated
Board of Directors' and Executive Board's compensation	**2008**
Fixed compensation	16,017
Variable compensation	55,421
Other	4,335
Total	**75,773**

II) Contract termination

Employment contracts have an undefined period. The termination of the employment relationship for non-fulfillment of obligations or voluntarily does not entitle executives to any financial compensation. In the case of termination of contracts by the Bank, executives will be entitled to receive R$2,219 as compensation.

III) Other information

Lending operations

In conformity with prevailing regulations, financial institutions cannot grant loans or advances to:

a) any individuals or legal entities that control the institution or any entity under joint control with the institution, or any officer, member of the board of directors, member of the supervisory board, or member of the immediate family of such individuals;

b) any entity controlled by the institution; or

c) any entity in which the Bank holds, directly or indirectly, 10% or more of the capital.

Accordingly, loans or advances are not granted to any subsidiaries, executive officers, members of the board of directors or their families.

Ownership interest

The table below shows the direct interest (common shares and preferred shares) as of December 31, 2008 exceeding five percent of total shares.

Stockholders'	Common Shares	Common Shares (%)	Preferred Shares	Preferred Shares (%)	Total Shares	Total Shares (%)
		(in thousand of shares, except percentages)				
Grupo Empresarial Santander, S.L. (1)	72,504,460	41.60	61,391,761	40.53	133,896,221	41,10
Sterrebeeck B.V. (1)	99,048,194	56.83	86,076,161	56.83	185,124,355	56,83
Members of the Board of Directors	(*)	(*)	(*)	(*)	(*)	(*)
Members of the Executive Board	(*)	(*)	(*)	(*)	(*)	(*)
Other	2,739,762	1.57	3,997,945	2.64	6,737,707	2,07
Total	**174,292,416**	**100.00**	**151,465,867**	**100.00**	**325,758,283**	**100,00**

(*) None of the members of the Board of Directors and the Executive Board holds 1.0% or more of any class of shares.

(1) Companies of the Santander Spain Group.

b) Related-Party Transactions

Transactions among the entities of Santander are carried out under usual market rates and terms, comparable to those applied in transactions with unrelated parties.

The principal transactions and balances are as follows:

				Bank
		2008		2007
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
Cash	**307,695**	**-**	**36,509**	**-**
Banco Santander, S.A. - Espanha	307,426	-	36,498	-
Other	269	-	11	-
Interbank Investments	**8.229,944**	**48,350**	**1,596,363**	**61,123**
Banco Santander, S.A. - Espanha	3.419,411	23,911	1,588,247	57,273
Abbey National Treasury Services Plc	4.674,000	9,437	-	-
Banco Real	-	3,604	-	-
Companhia de Crédito, Financiamento e Investimento Renault S.A.	14,778	808	-	-
Santander Brasil Arrendamento Mercantil S.A.	121,755	10,590	8,116	3,850
Securities and Derivatives	**6,022,769**	**6,208,378**	**3,606,295**	**1,064,110**
Santander Brasil Arrendamento Mercantil S.A.	3,858,112	429,471	3,430,722	364,096
Banco Santander, S.A. - Espanha	-	44,672	14,929	15,316
Santander Benelux, S.A., N.V.	1,472,414	5,565,713	159,925	683,398
Santander Overseas Bank, Inc - Puerto Rico	28,858	31,864	426	1,300
Abbey National Plc	417	-	-	-
Banco Real	662,968	134,823	-	-
Santander International Bank	-	1,835	293	-
Dividends and Bonuses Receivable	**394,846**	**-**	**143,458**	**-**
Santander Brasil Arrendamento Mercantil S.A.	435	-	30,941	-
Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários	5	-	26,947	-
Santander S.A. Corretora de Câmbio e Títulos	20,789	-	25,809	-
Santander S.A. Serviços Técnicos, Administrativos e de Corretagem de Seguros	-	-	36,331	-
Santander Investimentos em Participações S.A.	168,028	-	6,800	-
Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	11,204	-	16,604	-
AAB Dois Par	193,856	-	-	-
Other	529	-	26	-
Trading Account	**18,865**	**-**	**2,535**	**-**
Banco Santander, S.A. - Espanha	18,865	-	2,535	-
Foreign Exchange Portfolio - Assets	**2,546,422**	**-**	**1,248,462**	**-**
Banco Santander, S.A. - Espanha	1,924	-	1,085,359	-
Santander Benelux, S.A., N.V.	2,326,781	-	163,103	-
Banco Real	217,717	-	-	-
Receivables from Affiliates	**130,597**	**70,459**	**48,330**	**229,568**
Banco Santander, S.A. - Espanha	1,924	-	5,673	4,718
Santander Brasil Arrendamento Mercantil S.A.	159	2,052	169	1,901
Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários	3,728	28,744	1,594	12,772
Santander Seguros S.A.	115,720	1,078	32,878	170,339
Santander Brasil Seguros S.A.	4,539	-	3,370	19,030
Santander Capitalização S.A.	3,054	35,054	1,973	20,711
Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	147	3,505	-	-
Others	1,326	26	2,673	97
Other receivables - Other	**973**	**8,015**	**-**	**-**
Banco Real	55	64	-	-
Banco Santander, S.A. - Espanha	-	7,900	-	-
Santander Capitalização S.A.	918	-	-	-
Banco Comercial de Investimentos Sudameris S.A.	-	51	-	-
Deposits	**(5,159,398)**	**(499,376)**	**(4,124,146)**	**(409,260)**
Santander Brasil Arrendamento Mercantil S.A.	(3,658,948)	(415,655)	(3,487,168)	(376,402)
Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários	(12)	(3,426)	(91,757)	(2,081)
Santander S.A. Corretora de Câmbio e Títulos	(82,534)	(12,988)	(118,156)	(3,122)
Produban Serviços de Informática S.A.	(35,438)	(2,654)	(11,865)	(323)
Altec Brasil S.A.	(73,153)	(7,445)	(47,082)	(5,049)
Santander Investimentos em Participações S.A.	(593,257)	(46,248)	(304,089)	(17,489)
Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	(79,813)	(6,423)	(45,652)	(3,908)
REB Empreendimentos e Administradora de Bens S.A.	(2,912)	(3,227)	-	-

				Bank
		2008		2007
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
Banco Real	(613,167)	(192)	-	-
Other	(20,164)	(1,118)	(18,377)	(886)
Money Market Operations	**(3,773,720)**	**(94,307)**	**(54,596)**	**(9,488)**
Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários	-	(2,042)	(35,017)	(4,472)
Santander S.A. Corretora de Câmbio e Títulos	(117,485)	(10,654)	(19,579)	(3,807)
Banco Real	(3,656,235)	(81,611)	-	-
Produban Serviços de Informática S.A.	-	-	-	(1,209)
Borrowings and Onlendings	**(3,493,865)**	**(51,739)**	**(1,323,936)**	**(57,456)**
Santander Overseas Bank, Inc - Puerto Rico	(1,153,129)	(50,406)	(1,300,276)	(57,456)
Banco Santander, S.A. - Espanha	(2,213,063)	(12)	(22,702)	-
Banco Español de Crédito, S.A. - Banesto	(125,777)	(1,321)	-	-
Other	(1,896)	-	(958)	-
Derivatives	**(3,062,122)**	**(6,198,065)**	**(126,864)**	**(554,546)**
Banco Santander, S.A. - Espanha	-	(30,759)	(5,051)	(25,831)
Banco Real	(1,587,175)	(196,810)	-	-
Santander Benelux, S.A., N.V.	(1,434,703)	(5,906,458)	(115,070)	(519,196)
Santander Overseas Bank, Inc - Puerto Rico	(2,232)	(7,719)	(3,320)	(5,284)
Abbey National Treasury Services Plc	-	(18,615)	-	-
Abbey National Plc	(35,529)	(36,832)	-	-
Santander Brasil Arrendamento Mercantil S.A.	(2,483)	(872)	(3,423)	(4,235)
Foreign Exchange Portfolio - Liabilities	**(201,284)**	**-**	**(1,251,108)**	**-**
Banco Santander, S.A. - Espanha	-	-	(1,093,493)	-
Santander Benelux, S.A., N.V. Banco Real	-	-	(157,615)	-
Banco Real	(201,284)	-	-	-
Dividends and Bonuses Payable	**(1,352,252)**	**-**	**(1,411,725)**	**-**
Grupo Empresarial Santander, S.L.	(567,344)	-	(1,411,683)	-
Sterrebeeck B.V.	(784,892)	-	-	-
Other	(16)	-	(42)	-
Payables to Affiliates	**(12,163)**	**(1,292)**	**(6,653)**	**(3,228)**
Banco Santander, S.A. - Espanha	(12,075)	(289)	(6,371)	-
Other	(88)	(1,003)	(282)	(3,228)
Trading Account	**-**	**-**	**(15)**	**-**
Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários	-	-	(15)	-
Other Payables - Other	**(23,976)**	**(226,569)**	**(5,112)**	**(31,917)**
Produban Serviços de Informática S.A.	(45)	(82,519)	-	-
Altec Brasil S.A.	(6,368)	(95,552)	(52)	(5,253)
Ingenieria de Software Bancario, S.L.	(14,479)	(19,857)	-	-
Others	(3,084)	(28,641)	(5,060)	(26,664)

				Consolidated
		2008		2007
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
Cash	**714.127**	**-**	**36.509**	**-**
Banco Santander, S.A. - Espanha	713,858	-	36,498	-
Others	269	-	11	-
Interbank Investments	**8,216,392**	**33,348**	**1,588,247**	**57,273**
Banco Santander, S.A. - Espanha	3,542,392	23,911	1,588,247	57,273
Abbey National Treasury Services Plc	4,674,000	9,437	-	-
Securities and Derivatives	**1,501,689**	**5,644,084**	**175,573**	**700,014**
Banco Santander, S.A. - Espanha	-	44,672	14,929	15,316
Santander Benelux, S.A., N.V.	1,472,414	5,565,713	159,925	683,398
Santander Overseas Bank, Inc - Puerto Rico	28,858	31,864	426	1,300
Santander International Bank	-	1,835	293	-
Abbey National Plc	417	-	-	-
Trading Account	**18,865**	**-**	**2,535**	**-**
Banco Santander, S.A. - Espanha	18,865	-	2,535	-
Foreign Exchange Portfolio - Assets	**2,872,705**	**-**	**1,248,462**	**-**
Banco Santander, S.A. - Espanha	545,924	-	1,085,359	-
Santander Benelux, S.A., N.V.	2,326,781	-	163,103	-
Payables to Affiliates	**125,237**	**44,032**	**43,894**	**214,798**
Banco Santander, S.A. - Espanha	1,924	7,900	5,673	4,718
Santander Seguros S.A.	115,720	1,078	32,878	170,339
Santander Brasil Seguros S.A.	4,539	-	3,370	19,030
Santander Capitalização S.A.	3,054	35,054	1,973	20,711
Other receivables - Other	**-**	**7,900**	**-**	**-**
Banco Santander, S.A. - Espanha	-	7,900	-	-
Deposits	**(120,400)**	**(10,374)**	**(58,947)**	**(5,372)**
Produban Serviços de Informática S.A.	(35,438)	(2,654)	(11,865)	(323)
Altec Brasil S.A.	(73,153)	(7,445)	(47,082)	(5,049)
Santander Seguros S.A.	(8,094)	-	-	-
Others	(3,715)	(275)	-	-
Borrowings and Onlendings	**(5,471,056)**	**(552,897)**	**(1,323,936)**	**(57,456)**
Santander Overseas Bank, Inc - Puerto Rico	(1,153,129)	(50,406)	(1,300,276)	(57,456)
Banco Santander, S.A. - Chile	(4,287)	(50,838)	(19,507)	-
Banco Santander, S.A. - Espanha	(4,071,725)	(439,379)	(3,195)	-
Banco Español de Crédito, S.A. - Banesto	(240,852)	(12,263)	-	-
Banco Santander, S.A. - Uruguai	(1,063)	(11)	(958)	-
Derivatives	**(1,667,390)**	**(6,183,306)**	**(123,441)**	**(550,311)**
Banco Santander, S.A. - Espanha	(160,648)	(204,622)	(5,051)	(25,831)
Santander Benelux, S.A., N.V.	(1,468,981)	(5,915,518)	(115,070)	(519,196)
Santander Overseas Bank, Inc - Puerto Rico	(2,232)	(7,719)	(3,320)	(5,284)
Abbey National Plc	(35,529)	(36,832)	-	-
Abbey National Treasury Services Plc	-	(18,615)	-	-
Foreign Exchange Portfolio - Liabilities	**(502,063)**	**(135,865)**	**(1,251,108)**	**-**
Banco Santander, S.A. - Espanha	(502,063)	(135,865)	(1,093,493)	-
Santander Benelux, S.A., N.V.	-	-	(157,615)	-
Dividends and Bonuses Payable	**(1,352,252)**	**-**	**(1,411,683)**	**-**
Grupo Empresarial Santander, S.L.	(567,344)	-	(1,411,683)	-
Sterrebeeck B.V.	(784,892)	-	-	-
Others	(16)	-	-	-
Payables to Affiliates	**(12,163)**	**(1,292)**	**(42)**	**-**
Banco Santander, S.A. - Espanha	(12,075)	(289)	-	-
Others	(88)	(1,003)	(42)	-
Other Payables - Other	**(28,371)**	**(226,569)**	**(5,112)**	**(31,917)**
Produban Servicios Informáticos Generales, S.L.	(3,084)	(7,472)	(665)	(4,001)
Produban Serviços de Informática S.A.	(45)	(82,519)	-	-
Altec, S.A. - Chile	(4,395)	(2,837)	(4,395)	(5,717)
Altec Brasil S.A.	(6,368)	(95,552)	(52)	(5,253)
Aquanima Brasil Ltda,	-	(16,095)	-	(16,946)
Universia Brasil S.A.	-	(2,237)	-	-
Ingeneria de Software Bancario, S.L.	(14,479)	(19,857)	-	-

28. Income from Services Rendered

	Bank		Consolidated	
	2008	2007	2008	2007
Lending operations	701,118	1,017,917	738,818	1,017,917
Insurance	572,753	369,940	696,635	446,220
Income from fund management	538,072	583,355	707,639	622,105
Credit cards	439,872	345,906	796,904	345,906
Check account services	188,492	619,585	219,786	619,567
Securities brokerage and placement services	42,119	83,769	196,925	227,904
Receiving services				
Collection	152,645	133,451	229,437	133,451
Bills, taxes and fees	62,339	72,595	84,980	72,595
Guarantees provided	108,297	76,905	123,192	76,905
Other	239,650	168,172	455,984	178,849
Total	**3,045,357**	**3,471,595**	**4,250,300**	**3,741,419**

29. Income from Banking Fees

This account includes fees charged for priority services related to deposit accounts, transfer of money, lending operations, reference file and differentiated services for individuals and legal entities as established by the regulation of the Central Bank of Brazil. Income for 2007 was not reclassified from the caption "income from services rendered" for comparative purposes as permitted by prevailing regulation.

30. Personnel Expenses

	Bank		Consolidated	
	2008	2007	2008	2007
Compensation	1,074,966	1,114,920	1,756,447	1,125,880
Charges	420,537	426,347	720,628	430,650
Benefits	331,199	317,044	477,655	320,834
Training	25,199	30,550	46,732	30,559
Other	2,190	4,564	3,023	5,749
Total	**1,854,091**	**1,893,425**	**3,004,485**	**1,913,672**

31. Other Administrative Expenses

	Bank		Consolidated	
	2008	2007	2008	2007
Outside and specialized services	723,551	994,773	1,067,460	1,016,188
Depreciation and amortization	1,222,932	619,708	1,396,401	619,864
Advertising, promotions and publicity	304,550	266,617	527,818	267,632
Data processing	435,362	211,797	757,075	212,133
Communications	256,572	234,563	385,256	240,980
Rentals	174,380	164,886	261,802	164,706
Transportation and travel	128,669	135,423	200,533	136,135
Security services	109,480	102,467	158,262	102,467
Asset maintenance and upkeep	82,122	76,445	107,247	76,447
Financial system services	73,318	58,521	184,124	66,484
Utilities	63,086	64,025	85,989	64,069
Materials	35,045	34,141	55,631	34,144
Other	111,272	68,489	229,289	73,328
Total	**3,720,339**	**3,031,855**	**5,416,887**	**3,074,577**

32. Tax Expenses

	Bank		Consolidated	
	2008	2007	2008	2007
COFINS (tax on revenue)	476,063	489,233	642,493	506,005
ISS (service tax)	161,569	152,673	240,760	166,995
PIS/PASEP (tax on revenue)	77,360	79,500	101,855	82,243
Other	78,968	82,514	187,804	90,326
Total	**793,960**	**803,920**	**1,172,912**	**845,569**

33. Other Operating Income

	Bank		Consolidated	
	2008	2007	2008	2007
Monetary adjustment of escrow deposits	208,356	133,960	302,008	149,396
Recovery of charges and expenses	255,685	99,961	355,283	88,994
Reversal of operating accruals				
Tax (Note 24.c)	-	14,979	99,574	20,557
Labor (Note 24.c)	-	-	29,405	415
Civil (Note 24.c)	-	-	19,705	1,101
Other	143,856	60,595	349,363	65,006
Monetary Variation	105,095	10,435	106,535	10,556
Dividends and bonuses	18,388	17,001	42,274	22,589
Other	64,281	81,486	308,170	97,534
Total	**795,661**	**418,417**	**1,612,317**	**456,148**

34. Other Operating Expenses

	Bank		Consolidated	
	2008	2007	2008	2007
Operating accruals				
Labor (Note 24,c)	781,798	818,936	1,023,187	833,363
Civil (Note 24,c)	214,313	113,903	310,885	118,542
Tax (Note 24,c)	75,953	92,563	112,085	111,255
Other	46,616	217,431	52,937	226,011
Credit cards	158,402	114,119	232,358	114,119
Actuarial Losses (note 37)	109,407	99,314	109,407	99,314
Exchange variation - foreign branch	-	84,996	-	84,996
Monetary Losses	27,149	55,030	27,606	55,227
Legal fees and costs	40,491	45,087	40,506	46,658
Serasa/SPC (credit reporting agency)	41,785	42,121	41,799	42,139
Interest on sale of right to receipt of future flow of payment orders from abroad	557,157	38,455	557,157	38,455
Impairment of Assets	11,362	-	74,262	-
Brokerage fees	28,764	22,505	28,912	22,513
Commissions	5,718	13,490	25,246	40,710
CPMF/IOF (taxes on banking transactions)	16,945	65,325	17,043	67,125
Provision for employee's shares - 150 years (1)	-	76,663	-	77,240
Other	194,441	274,176	450,714	303,896
Total	**2,310,301**	**2,174,114**	**3,104,104**	**2,281,563**

(1) In June 2007, the Stockholders' Meeting of Banco Santander, in Spain, approved the distribution of 100 shares to each employee as part of the celebration of its 150 years.

35. Nonoperating (Expenses) Income

	Bank		Consolidated	
	2008	2007	2008	2007
Gain on sale of Investments (1)	3,199	474,747	90,847	773,720
Gain on sale of other assets	16,403	13,116	16,838	19,361
Reversal/(Recognition) of allowance for losses on other assets	8,416	12,258	10,462	13,470
Expense on assets not in use	(28,434)	(31,092)	(28,466)	(31,300)
Capital losses	(34,442)	(42,699)	(52,728)	(42,821)
Other (expenses) income (2)	(18,293)	(237,574)	(25,367)	(237,302)
Total	**(53,151)**	**188,756**	**11,586**	**495,128**

(1) In 2008, includes the partial sale of shares of BM&F BOVESPA, reported nonrecurring gains in the amount of R$81million and in 2007, the partial sale of shares of Serasa, Bovespa and BM&F, and full sale of the Banespa Grand Cayman branch in the amount of R$771million in the Bank and Consolidated.

(2) In 2007, includes provision for residual costs of deferred charges in the amount of R$294,551.

36. Income and Social Contribution Taxes

	Bank		Consolidated	
	2008	2007	2008	2007
Income before taxes, net of profit sharing	**823,886**	**1,895,150**	**625,309**	**2,016,179**
Interest on capital	(480,000)	(527,600)	(486,608)	(527,600)
Unrealized profits	-	-	(39,709)	7,448
Income before taxes	**343,886**	**1,367,550**	**98,992**	**1,496,027**
Total income and social contribution tax at the rates of 25% and 15%, respectively (1)	**(137,554)**	**(464,967)**	**(39,597)**	**(508,649)**
Equity in subsidiaries	411,589	174,797	2,256	1,003
Reserve for maintenance of integrity of stockholders' equity	330,951	303,178	330,951	303,178
Nondeductible expenses and provisions	(36,888)	(50,086)	(19,110)	34,487
Exchange variation - foreign branches	113,584	(28,899)	640,515	(28,899)
Effect of income and social contribution taxes on prior year's temporary differences	128,287	-	128,801	-
Effects of change in tax rate and result in subsidiaries at the rate of 9%	(92,793)	9,124	(87,878)	26,886
Other adjustments	(158)	(349)	17,403	1,214
Income and social contribution taxes	**717,018**	**(57,202)**	**973,341**	**(170,780)**

(1) Executive Act No. 413 was issued on January 3, 2008, determining, among other provisions, an increase in CSLL (social contribution tax) from 9% to 15% for financial institutions and insurance and capitalization entities. The Executive Act is effective May 1, 2008. For the other companies the social contribution tax rate is 9%.

37. Pension Plan

a) Supplemental Pension Plan

The Bank and its subsidiaries sponsor private pension entities and plans for the purpose of providing retirement and pension benefits that supplement those provided by government, as defined in the basic regulations of each plan.

I) Banesprev - Fundo Banespa de Seguridade Social (Banesprev)

Plan I: fully defrayed by the Bank, covers employees hired on or after May 22, 1975, and those hired by May 22, 1975 who are also entitled to death benefits.

Plan II: effective July 27, 1994, when the new text of the Statutes and Basic Regulations of Plan II came into effect, Plan I participants who opted for the new plan began contributing 44.94% of the funding rate established by the actuary for each period.

Plan V: fully defrayed by the Bank, covers employees hired on or after May 22, 1975.

Supplemental Pension Plan: was created in view of the privatization of Banespa and is managed by Banesprev. This Plan, effective January 1, 2000, is provided only to employees hired until May 22, 1975.

Plan III: covers employees hired on or after May 22, 1975, previously enrolled in Plans I and II. In this plan, contributions are made by both the sponsor and participants.

Plan IV: covers employees hired on or after November 27, 2000, in which the sponsor contributes only to risk benefits and administrative costs.

II) Sanprev - Santander Associação de Previdência (Sanprev)

Plan I: was established on September 27, 1979 as a defined benefit plan for employees of plan sponsors, and has been in the process of discontinuance since July 1, 1996.

Plan II: provides a risk coverage, temporary supplemental pension, disability retirement, lump-sum death benefit, supplemental sick pay and birth grant, for employees of plan sponsors and is funded exclusively by the sponsors through monthly contributions corresponding to 1.16% of the total payroll, structured as a defined benefit plan. Monthly contributions are apportioned as follows: 0.28% for risk benefits and 0.88% for the administrative program.

Plan III: provides period-certain annuity and monthly life annuity for employees of contributing sponsors and is structured as a defined contribution plan, whereby contributions are freely made by participants starting at 2% of the contribution salary.

III) Holandaprevi: defined benefit plan, started in 1999, funded mainly by Banco Real and managed by Holandaprevi Sociedade de Previdência Privada.

IV) Previban: defined benefit plan, managed by Previban - Previdência Privada Paraiban, sponsored by Banco Real, whose participants are the former employees of Banco da Paraíba S.A. - Paraiban. This plan is closed to new entrants and is in process of withdrawal of sponsoring.

V) Bandeprev: defined benefit plan, sponsored by Banco de Pernambuco S.A. – BANDEPE and Banco Real, managed by Bandeprev - Bandepe Previdência Social. The plans are divided into basic plan and special plan, with different eligibility requirements, contributions and benefits by subgroups of participants. Both plans are closed to new entrants. As a result of the spin-off of Banco de Pernambuco S.A. – Bandepe's operations and subsequent merger into Banco Real., the employees of Bandepe were transferred to Banco Real on May 1, 2006.

VI) Fasass: three plans managed by Fundação América do Sul de Assistência e Seguridade Social, sponsored by Banco Comercial e de Investimento Sudameris S.A., with the following features:

Defined benefit supplementary pension plan, in the process of discontinuance since July 1, 1998;

Benefit plan II, a defined benefit plan created on July 1, 1998, including death and disability coverage, closed to new entrants since July 8, 1999;

Benefit plan III, a defined benefit plan created on July 1, 1998, closed to new entrants since July 8, 1999. The plan is in process of withdrawal of sponsoring.

VII) Other

Banco Santander S.A. is the sponsor of pension plans for associated employees, structured as defined benefit plans.

				2008
	Plan V	Banesprev Other Plans	Sanprev Plans I e II	Other Plans
Reconciliation of assets and liabilities				
Present value of actuarial obligations	4,426,941	4,399,796	65,099	210,080
Fair value of plan assets	(4,279,276)	(4,400,960)	(133,608)	-
Adjustments for allowed deferrals:				
Unrecognized actuarial losses	-	(471,424)	-	(44,538)
Unrecognized actuarial gains	182,493	57,406	26,430	-
Net actuarial asset at December 31, 2008 (1)	**-**	**(446,315)**	**(42,079)**	**-**
Net actuarial liability at December 31, 2008	**330,158**	**31,133**	**-**	**165,542**
Payments made (2)	(37,929)	(29,376)	(741)	(31,284)
Expenses recorded	52,644	13,874	-	42,889
Actual return on plan assets	969,273	518,233	10,498	-
	Holandaprevi	Bandeprev	Fasass (2)	Previban
Reconciliation of assets and liabilities				
Present value of actuarial obligations	4,514	856,310	490,414	27,140
Fair value of plan assets	(3,989)	(1,065,155)	(482,739)	(27,140)
Adjustments for allowed deferrals	-	-	-	-
Unrecognized actuarial losses	(689)	-	(19,030)	(118)
Unrecognized actuarial gains	730	86,787	-	-
Net actuarial asset at December 31, 2008 (1)	**-**	**(122,058)**	**(11,355)**	**(118)**
Net actuarial liability at December 31, 2008	**566**	**-**	**-**	**-**
Payments made (2)	(94)	(112)	-	-
Expenses recorded	93	-	-	3
Actual return on plan assets	438	104,531	7,931	3,081

				2007
	Plan V	Banesprev Other Plans	Sanprev Plans I e II	Other Plans
Reconciliation of assets and liabilities				
Present value of actuarial obligations	4,150,799	3,459,338	72,496	186,550
Fair value of plan assets	(3,811,161)	(4,143,415)	(130,306)	-
Adjustments for allowed deferrals:				
Unrecognized actuarial losses	(24,195)	(68,237)	-	(32,613)
Unrecognized actuarial gains	-	502,007	22,102	-
Net actuarial asset at December 31, 2007 (1)	**-**	**(276,097)**	**(35,708)**	**-**
Net actuarial liability at December 31, 2007	**315,443**	**25,790**	**-**	**153,937**
Payments made (2)	(3,684,846)	(23,949)	(695)	(28,587)
Expenses recorded	64,842	8,526	-	25,946
Actual return on plan assets	647,050	761,712	12,521	-

(1) As provided for in article 49, item "g" of CVM Resolution 371/2000, the above surplus was not recorded in the financial statements of Banco Santander S.A.

(2) In 2007 this balance includes R$3.598.816 of the initial transfer and the monthly amounts paid to Banesprev for Plan V.

The amounts allocated during the year, related to the Defined Contribution Plans were R$985 to Banesprev - Plans III and IV (2007, R$1,239), R$2,251 to Sanprev - Plan III (2007, R$2,077), and R$27,089 to Holandaprevi.

b) Main Actuarial Assumptions

Actuarial Assumptions Adopted

- Nominal discount rate for actuarial obligation:
  Banesprev - Plan V and Other Plans - 16.5% (2007, 16.7%).
  Banesprev - Supplementary pension plan - 14.9% (2007, 14.7%).
  Banesprev – Other plans - 12.1% (2007, 14.6%. except for Plan IV 13.6%).
  Sanprev plans - 12.5% (2007, 10.4%).
  Bandeprev. Fasass. Holandaprevi and Previban - 10.3%.

- Expected rate of return on plan assets:
  Banesprev - Plan V and Other Plans - 16.5% (2007, 16.7%).
  Banesprev - Supplementary pension plan - 14.9% (2007, 14.7%).
  Banesprev - Other Plans - 12.9%. except for Plan IV - 12.5% (2007, 14.6%. except for Plano IV - 13.6%)
  Sanprev Plans - 10.6% (2007, 10.4%).
  Bandeprev - 12.1%. Fasass - 13.8% and Holandaprevi and Previban - 11.8%.

- Estimated long-term inflation rate and estimated salary and benefit increase rate:
  Banesprev and Sanprev - All plans - 4.0% (2007, 4.2%).
  Bandeprev. Fasass. Holandaprevi and Previban - 4.0%.
  Bandeprev and Holandaprevi - salary growth of 1.0% and Fasass and Previban - null growth as they do not have active participants

- General mortality biometric table
  Banesprev, Sanprev, other plans - AT-2000.
  Holandaprevi and Bandeprev - AT-2000 Segregated by gender.
  Previban and Fasass - UP-94 Segregated by gender.

- Disability biometric table and disability mortality table:
  Banesprev and Sanprev - Mercer Disability table. Not applicable to the other plans.
  Bandeprev, Fasass, Holandaprevi and Previban - Mercer Disability and Disability mortality table: IAPB57.

- Expected Turnover table
  Banesprev - Plan V (0.1/Length of service +1) up to 50 years of age.
  Banesprev - Supplementary pension plan and other plans - 0%.
  Banesprev - Other plans – 2.0% and Plans Sanprev - null.
  Holandaprevi segregated by age according to the rates below, by minimum wage (MW) cohorts: up to 10 MWs – 10% to 7%; from 10 MWs up to 20 MWs – 9% to 6%; and above 20 MWs - 8% to 5%.
  Bandeprev follows the cohorts: up to 10 MWs =0.45/(length of service+1); from 10 MWs to 20 MWs=0.30/(length of service +1); and above 20 MWs=0.15/(length of service +1).
  Fasass and Previban is null, as they do not have active participants.

- Probability of retirement: 100% upon first eligibility.

c) Health and Dental Care Plan

c.1) Cabesp - Caixa Beneficente dos Funcionários do Banco do Estado de São Paulo S.A

The Bank contributes to Cabesp, an entity that covers health and dental care expenses of employees hired until Banespa privatization in 2000.

	2008	2007
Reconciliation of assets and liabilities		
Present value of actuarial obligations	2,413,184	2,786,206
Fair value of plan assets	(2,803,139)	(2,782,114)
Adjustments for allowed deferrals:	-	-
Unrecognized actuarial losses	-	(148,346)
Unrecognized actuarial gains	223,864	-
Net actuarial asset (liability), December 31	**(166,091)**	**(144,254)**
Payments made	37,113	36,021
Expenses recorded	14,184	-
Actual return on plan assets	131,143	438,418

c.2) Holandaprevi's retirees

Holandaprevi's retirees' health care plan is a lifetime benefit and receives a subsidy of 30% of the basic plan cost from the sponsor, payable only to beneficiaries entitled to the benefits through December 31, 2002. Costing is made directly by the sponsor.

c.3) Former employees of Banco Real S.A. (retiree by circulares)

The health care plan of the former employees of Banco Real is a lifetime benefit and receives a subsidy of 90% of the basic plan cost from the sponsor.

c.4) Bandeprev's retirees

The health care plan of Bandeprev's pension plan beneficiaries is a lifetime benefit, for which the Bank is responsible for defraying 50% of the benefits of employees retired before the date the sponsor Banco de Pernambuco S.A. - Bandepe was privatized and 30% of the benefits of employees retired after privatization.

c.5) Officer with lifetime benefits (lifetime officers)

Lifetime health care benefit granted to former officers of Banco Sudameris Brasil S.A. who held an officer position at Banco Sudameris Brasil S.A. for a period of ten years or more (closed group). With the merger of Banco Sudameris Brasil S.A., Banco Real became responsible for ensuring the benefit.

c.6) Plasas - Fasass' Supplementary Health Plan (Plasas)

Voluntary health plan, created on July 1, 1989, supplementary to the health care plan and only for cases of hospitalization.

It includes a reserve made up by participants' and Fasass' contributions, which are suspended since August 1999. The Plan is closed to new entrants since July 1999.

c.7) Life insurance for Banco Real's retirees (Life Insurance)

Life insurance policy for former employees of Banco Real. Upon the death of the beneficiary, his/her dependent receives a lump-sum death benefit and, upon the death of the beneficiary's spouse, the beneficiary receives 50% of such amount. Banco Real subsidizes 45% of the total premium (closed group).

c.8) Free clinic

The health care plan "free clinic" is a lifetime plan offered to the retirees who have contributed to Fundação Sudameris for at least 25 years and is funded by the users. The plan is offered only for hospitalization in wards.

			2008
	Holandaprevi	Bandeprev	Retiree by Circulars
Reconciliation of assets and liabilities			
Present value of actuarial obligations	3,613	101,676	75,016
Fair value of plan assets	-	-	-
Adjustments for allowed deferrals:			
Unrecognized actuarial losses	-	(4,965)	-
Unrecognized actuarial gains	1,963	-	5,272
Net actuarial liability as of December 31, 2008	**5,576**	**96,711**	**80,288**
Payments made	(337)	(998)	(717)
Expenses recorded	73	3,606	2,385

	Lifetime Officers	Fasass	Life Insurance	2008 Free Clinic
Reconciliation of assets and liabilities				
Present value of actuarial obligations	2,343	2,999	3,402	109,242
Fair value of plan assets	-	(91,938)	-	(2,492)
Adjustments for allowed deferrals:				-
Unrecognized actuarial losses	-	-	(668)	(15,658)
Unrecognized actuarial gains	899	12,394	-	-
Net actuarial asset as of December 31, 2008	**-**	**(76,545)**	**-**	**-**
Net actuarial liability as of December 31, 2008	**3,242**	**-**	**2,734**	**91,092**
Payments made	(78)	-	(127)	-
Expenses recorded	99	-	98	1,173
Actual return on plan assets	-	7,940	-	5

d) Stock-based compensation

(i) Plan I-06

In 2004, Santander created a long-term incentive plan for its executives (I06), linked to the attainment of two goals related to the controlling stockholder's shares: appreciation of share price and growth of earnings per share. The conditions to receive the income were met and the variable compensation was paid from January 15, 2008 to January 15, 2009, at the price of €9.09 per stock option. The executives who had not exercised plan I-06 options by December 31, 2008 can no longer exercise this right from December 13, 2008 to January 15, 2009 since the quotation of Grupo Santander was below the base price established in the contract (€9.09).

(ii) Long-term incentive policy

The meeting of the Board of Directors' of Santander Spain, held on March 26, 2008, approved the long-term incentive policy intended for the executives of Banco Santander Spain and the Grupo Santander companies (except Banesto). This policy provides for compensation tied to the performance of the stock of Santander Spain, as established in the Annual Stockholders' Meeting.

Santander executives in Brazil already participate in the Stock Plan Tied to Goals: multiyear plan paid in shares of Banco Santander Spain. This plan's beneficiaries are the Executive Officers and other members of Top Management, as well as any other group of executives appointed by the Executive Board or the Executive Committee.

This plan involves three-year cycles for the delivery of shares to the beneficiaries, so that each cycle is started within a year, and starting 2009, ends in the following year. The purpose is to establish an appropriate sequence between the end of the incentive program, tied to the previous plan, I-06, and the successive cycles of this plan. Accordingly, the first two cycles started in July 2007, with the first cycle lasting two years (PI09) and the other cycles lasting three years, on average.

A maximum number of shares in each cycle is established for each beneficiary that continued to work in the Group during the plan. The goals whose attainment determine the number of shares granted, are defined by comparing the Group's performance with the Benchmark Group's performance (financial institutions) and are related to two parameters: Total Return to the Stockholder (RTA) and Earnings/Benefit per Share (BPA) growth.

Each of these parameters has a weight of 50% in the determination of the percentage of shares to be granted. The number of shares to be granted is determined in each cycle by the goal attainment level on the third anniversary of the start of each cycle (except the first cycle, for which the second anniversary will be considered), and the shares will be granted within a maximum period of seven months from the end of the second cycle.

As of December 31, 2008, the maximum number of shares to be granted is 834,332 (for a total of 482 participants) in the First Cycle (PI09) and 1,243,355 (487 participants) in the Second Cycle (PI10).

In 2008, daily pro rata expenses of R$19,446 Bank and R$19,646 Consolidated (2007, R$10,134 Bank and R$10,311 Consolidated) were recorded related to the initial costs on the related grant dates for each of the above-mentioned cycles.

38. Other Information

a) The co-obligations and risks on guarantees provided on behalf of customers, recorded in memorandum accounts, amounted to R$ R$17,331,203 in the Bank and R$25,513,294 Consolidated (2007 - R$15,299,229 in the Bank and Consolidated).

b) The total net book value of investment funds managed by Grupo Santander is R$80,402,046 (2007 - R$55,911,429 and the total net book value of managed investment funds is R$90,244,821 (2007 - R$60,887,770).

c) The insurance contracted by the Bank effective as of December 31, 2008, with bankers' blanket insurance, fire, vehicles and other risks coverage, amounts to R$650,667 Bank and R$1,419.096 Consolidated (2007, R$1,922,107 Bank and R$1,930,827 Consolidated).

Bankers' blanket insurance contracted has coverage of R$145,539 Bank and R$227,832 Consolidated (2007, R$163,923 Bank and R$172,643 Consolidated), and can be used separately or jointly, providing it does not exceed the contracted amount.

d) Restricted operations were as follows:

	Assets (Liabilities)		Income (Expenses)	
	2008	2007	2008	2007
Restricted operations on assets				
Lending operations	20,636	8,140	2,057	9,749
Liabilities - restricted operations on assets				
Deposits	(20,636)	(8,140)	(2,047)	(9,689)
Net income			**10**	**60**

There are no default operations or court challenges regarding restricted operations on assets or funds raised to be used in these operations.

e) The subsidiaries of Banco Santander have operating leases for the vehicles of its executives that totaled payments of R$14,433 in 2008. The main terms of the agreements are as follows: (i) all expenses related to corrective maintenance, accidents and traffic violations are the responsibility of the users, (ii) each vehicle has an individual contract effective for 24 moths and replacement is made at the Bank's request, (iii) the Bank has a purchase option (or may assign such option to its employee) at the end of the 24- month period, (iv) the contract provides for annual adjustments based on the General Market Price Index (IGP-M) and the price of each vehicle is determined when it joins the fleet (case-by-case quotation) and (v) the termination of individual contracts results in a fine of 33% of total installments falling due.

Summary of the Audit Committee Report

Santander Financial Group's Audit Committee was established by the Board of Directors of Banco Santander S.A. (the Group's lead entity) on March 23, 2007, to ensure compliance with National Monetary Council's Resolution 3198/2004 and article 32 of Banco Santander S.A.'s By-laws. As a result of the transfer of control on October 22, 2008 of the entities of the ABN AMRO Real Group in Brazil to Grupo Santander, whereby ABN AMRO Real became part of the same financial group, upon resolution at the Extraordinary Stockholders' Meeting (ESM), the adoption of a single Audit Committee was approved for the group's lead entity, Banco Santander S.A., pursuant to article 11 of CMN Resolution 3198/2004, which is awaiting approval by the Central Bank of Brazil (Bacen). A similar resolution was approved by Santander Seguros S.A. at the ESM held on July 7, 2008, when the entity also adhered to the decision of Santander financial group adopting a single Audit Committee, as permitted by article 14 of Resolution 118/2004 of the National Council of Private Insurance (CNSP). Such resolution was approved by the Superintendency of Private Insurance (Susep) on October 29, 2008.

This Audit Committee is composed of three independent members that were appointed at the Board of Directors' Meeting of March 23, 2007. The members have a one-year term of office, renewable for up to four consecutive terms.

Under prevailing legislation, Management is responsible for preparing, disclosing and ensuring the integrity of the financial statements, and for adopting the best practices in internal control system and procedures, in order to ensure compliance with Brazilian accounting practices and standards from the National Monetary Council (CMN), Central Bank of Brazil (Bacen), Brazilian Securities and Exchange Commission (CVM), National Council of Private Insurance (CNSP), and Superintendency of Private Insurance (Susep).

The independent auditors are responsible for planning and performing the audit of the individual and consolidated financial statements of the group.

The Audit Committee advises the Board of Directors in the oversight of financial reports, assessment of the internal control system effectiveness, auditors' independence, and performance of internal and independent audits, and recommends corrections and improvements of policies, practices and procedures identified in the course of its duties, whenever deemed necessary.

The Audit Committee held thirty four meetings in 2008. In the second half of the year and in January 2009, nineteen meetings were held for conducting the duties incumbent on them.

Also, to fulfill the Audit Committee's duties and responsibilities, the Coordinator, appointed among the members, devotes full time to this function, and participates as a guest in Executive Committees, including Operational Risks, Compliance, Money Laundering Prevention, Legal, and Products.

To gain a thorough knowledge of Real, the Audit Committee held specific discussions, which covered the work plan of the independent audits of Real, operating performance and equity distribution for the last four halves of the years, major contingencies, the approach used to make escrow deposits, and the work developed by the Compliance, Money Laundering Prevention, Internal Controls, Ombudsman and Information Security areas.

Regarding the Audit Committee's roles and responsibilities:

1 – In Santander Financial Group, the Vice Presidency for Operational Risks, after merging Real, remained accountable for the implementation, dissemination, management and control of operational risks and the internal control system effectiveness. Accordingly, the Audit Committee analyzed the process used to migrate the activities and the consolidated work developed by the area, verifying their conformity with CMN Resolutions 2554/1998 and 3380/2006 and Susep Circular 249/2004. The Audit Committee also followed up on the reported frauds and errors by the area.

2 – Concerning the internal audit work, the Audit Committee monitored the reports issued, findings, implementation of recommendations and comments related to the preliminary work for Sarbanes-Oxley (SOX) certification, and verified the changes in the area structure as a result of the entities integration process.

3 – With respect to the independent audit services provided by Deloitte Touche Tohmatsu Auditores Independentes, the Audit Committee formally held five meetings, attended by both audit teams, separately responsible for Santander and Real. The main discussions at the meetings involved the standardization of accounting practices, the recording of the transfer of control of the ABN AMRO Real group, and the applicability of the changes in accounting standards related to the convergence to international standards.

4 – The Audit Committee reviewed the financial statements of the Santander Financial Group entities, confirming their quality. In this respect, the Committee followed up on the six-month period closing, prior to disclosures, and met with the independent auditors and the professionals responsible for the accounting and the preparation of the financial statements.

5 – In view of CVM Resolution 3477/2007, which established, effective September 30, 2007, the creation of an Ombudsman function for the institutions, the semiannual reports, to be submitted to Bacen, shall be approved by the Audit Committee in a meeting scheduled for February 12. The meeting will address the results and the work developed by the Ombudsman of Santander and Real, already integrated into the same executive board, but operating in different technology platforms.

As a result of the assessments performed, based primarily on information received from Management, internal and independent auditors, and the area responsible for the corporate monitoring of internal controls, the Audit Committee concluded that the work developed is effective and provides transparency and quality to Santander Financial Group's financial statements.

Audit Committee
São Paulo, February 2, 2009

Maria Elena Cardoso Figueira
Sérgio Darcy da Silva Alves
Taiki Hirashima

Independent Auditors’ Report

To the Management and Stockholders of

Banco Santander S.A.

São Paulo - SP

1 – We have audited the accompanying individual (Bank) and consolidated balance sheets of Banco Santander S.A. and subsidiaries as of December 31, 2008 and 2007, and the related statements of income, changes in stockholders’ equity, and cash flows for the years then ended and six-month period ended December 31, 2008, and the individual and consolidated statements of value added for the years ended December 31, 2008 and 2007, all expressed in Brazilian reais and prepared under the responsibility of the Bank’s management. Our responsibility is to express an opinion on these financial statements.

2 – Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Bank and its subsidiaries; (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed; and (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as a whole.

3 – In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Banco Santander S.A. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations, the changes in their stockholders’ equity, and the changes in their cash flows for the years then ended and six-month period ended December 31, 2008, and the values added in operations for the years ended December 31, 2008 and 2007, in conformity with Brazilian accounting practices.

4 – The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 2, 2009

DELOITTE TOUCHE TOHMATSU

Auditores Independentes

CRC nº 2 SP 011609/O-8

Francisco Antonio Maldonado Sant’Anna

Engagement Partner

CRC nº 1 SP 120424/O-8

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Santander

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SAC – Client Service Center
0800-762 7777

Ombudsman

0800 726-0322
(Capitals and Metropolitan Regions)

Banco Real

Disque Real

Find the Disque Real number in your city through your checkbook, or access www.bancoreal.com.br/disquereal

SAC – Client Service Center
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Ombudsman

0800 286-8787

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We would like to express our appreciation to all of the Bank's professionals who helped produce this report.

Expectations deriving from the reading of this report must take into account the risks and uncertainties that involve any activity, such as political and economic change, interest and exchange rate volatility, inflation, changes in legislation, competitive aspects and other factors, and it is up to each interested party to carefully read and evaluate the information herein contained.

Index of images