2009 Annual Report

Santander

This report follows the GRI G3 standards

Index

Cover's pictures: Pisco Del Gaiso
and Nathalie Schneider ("hands").

The financial information presented in this Annual Report is, in general, in accordance with International Accounting Standards, established by IFRS (International Financing Reporting Standards), which may materially differ from the Brazilian Generally Accepted Accounting Principles (BR GAAP).

It is generally accepted that IFRS standards are the most adequate criteria for analyzing the balance sheet and results of Santander (Brasil) S.A. Furthermore, following the bank being classified as BMF&Bovespa stock exchange corporate governance level 2 after the initial public offering in October 2009 and the listing of its shares on the New York Stock Exchange as ADSs, results must now be published using these international criteria. However, in compliance with Brazilian regulatory agencies, the financial statements were and will continue to be prepared using BR GAAP standards as well.

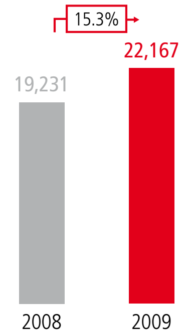
It should also be pointed out that due to the Banco Real merger on 30 August 2008, it is not to compare the results of 31 December 2008 to those of 31 December 2009. For purposes of analysis, all comparative data and the chapter Economic and Financial Information are pro forma, or in other words, as if the Banco Real merger had taken place on 1 January 2008. However, the full Financial Statements using IFRS and BR GAAP for the year ending on 31 December 2008 are not pro forma – and only take into account Banco Real operations as from 30 August 2008.

Key Indicators

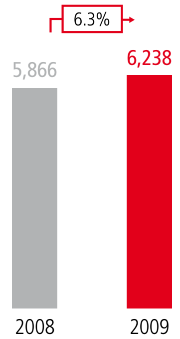
SUMMARY OF FIGURES FOR THE PERIOD	2009	2008	Var. 2009x2008
RESULTS (R$ million)			
Net interest margin	22,167	19,231	15.3%
Net Commissions	6,238	5,866	6.3%
Allowance for Loan Losses	(10,520)	(7,240)	45.3%
Personnel Expenses and Other Administrative Expenses	(10,947)	(11,532)	-5.1%
Net Income	5,508	3,913	40.8%
BALANCE SHEET (R$ million)			
Total Assets	315,973	294,190	7.4%
Securities	80,616	50,921	58.3%
Credit portfolio[1]	138,394	136,039	1.7%
Individuals	43,352	39,153	10.7%
Consumer Finance	24,627	24,757	-0.5%
Small and medium enterprises	32,417	34,289	-5.5%
Large enterprises	37,998	37,839	0.4%
Client funding	143,672	149,534	-3.9%
Total equity	69,266	49,837	39.0%
Total equity excluding goodwill[2]	40,954	22,349	83.2%
PERFORMANCE INDICATORS (%)			
Return on equity - annualized	9.8%	10.3%	-0.5 p.p.
Return on equity excluding goodwill[2] - annualized	19.3%	16.8%	2.6 p.p.
Return on assets - annualized	1.8%	1.5%	0.4 p.p.
Efficiency ratio[3]	35.0%	44.1%	-9.1 p.p.
Fees coverage over expenses[4]	57.0%	50.9%	6.1 p.p.
Basel Agreement Ratio excluding goodwill[2]	25.6%	14.7%	10.9 p.p.
PORTFOLIO QUALITY INDICATORS (%)			
Default rate[5] - IFRS	7.2%	5.7%	1.5 p.p.
Default rate[6] (over 90 days) – BR GAAP	5.9%	3.9%	2.0 p.p.
Default rate[7] (over 60 days) – BR GAAP	6.8%	5.0%	1.8 p.p.
Coverage ratio[8]	101.7%	105.8%	-4.1 p.p.
OTHER FIGURES			
Assets under management – AUM (R$ million)	98,407	80,402	22.4%
Number of credit and debit cards (thousand)	33,337	29,743	12.1%
Branches	2,091	2,083	0.4%
PABs (mini branches)	1,502	1,503	-0.1%
ATMs	18,128	18,120	-0.1%
Total clients (thousand)	22,240	20,918	6.3%
Total account holders[9] (thousand)	10,240	9,831	4.2%
Employees[10]	52,457	54,109	-3.1%

[1] Credit Portfolio (Management).
[2] Goodwill from the acquisition of Banco Real and Real Seguros Vida e Previdência.
[3] Efficiency: General Expenses/Total revenues. The efficiency ratio excluding the Cayman Hedge for the periods12M08 and 12M09 would be 43.1% and 36.3% respectively.
[4] Net commissions / General expense
[5] Transactions overdue by more than 90 days plus normal credit with high risk of default/ management credit portfolio.
[6] Transactions overdue by more than 90 days / credit portfolio in BR GAAP.
[7] Transactions overdue by more than 60 days / credit portfolio in BR GAAP.
[8] Allowance for Loan losses / transactions overdue by more than 90 days plus normal credit with high risk of default.
[9] Clients effecting cash deposits in a 30-day period, according to the Central Bank of Brazil.
[10] Includes Banco Santander (Brazil) S.A., its subsidiaries consolidated in the balance sheet and certain subsidiaries of Banco Santander, S.A. (Spain) headquartered in Brazil. Excluding the subsidiaries of Banco Santander, S.A. (Spain), the figure was 51,241 employees.

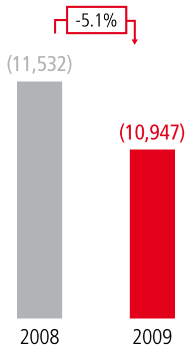
Net Interest Income
R$ million



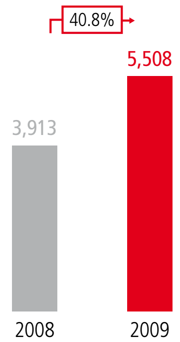
Net Fees
R$ million



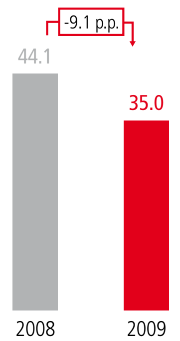
Administrative and Personnel Expenses
R$ million



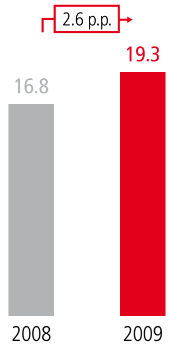
Net Profit
R$ million



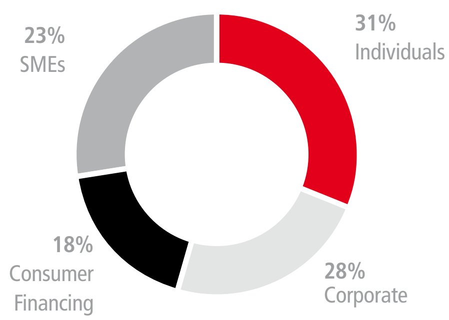
Efficiency Ratio[1]
%



Return on Equity[2]
%



Credit Portfolio
% - Dec/09



[1] Excluding the Cayman Hedge for 2008 would be 43.1% and 36.3% respectively.
[2] Net Profit on Equity adjusted for Goodwill.

Message from the Chairman of the Board of Directors of Santander in Brazil


Santander

"This is a promising scenario. Employment levels are rising and a new middle class is appearing, resulting in increasing rates of domestic household consumption. Thus, we are dealing with a virtuous cycle which will demand more credit to make consumption feasible and credit for investments in infrastructure and in increased production capacity, vital for keeping up with the rate at which the economy expands."

Marcial Angel Portela Alvarez
Chairman of the Board of
Directors of Santander in Brazil

Message from the Chairman of the Board of Directors of Santander in Brazil

Everyone recognizes that 2009 was the year in which Brazil became a real global player. The country quickly weathered the financial crisis and came out as a winner. The union of Brazilian society and the smooth functioning of its institutions played a vital role in this process. The financial system, both private and state owned, showed resilience in facing the crisis and is now better prepared to achieve its objectives for growth in 2010.

This is a promising scenario. Employment levels are rising and a new middle class is appearing, resulting in increasing rates of domestic household consumption. Thus, we are dealing with a virtuous cycle which will demand more credit to make consumption feasible and credit for investments in infrastructure and in increased production capacity, vital for keeping up with the rate at which the economy expands.

The year 2009 was marked by two important events for the Bank:

- The legal merger of Banco Real by Santander in April;
- The launch of the largest IPO in corporate history in the whole world in the year.

These important achievements helped us to form the base for future growth. We are currently the only major global bank in Brazil and we offer the combination of a solid international platform and a strong local presence. This is why we are in a position to bring the best of the world to Brazil and to give the best of Brazil to the world.

We have well defined strategies for attracting new clients and increasing profitability in all areas of business. We have combined the capacities of two successful banks – Santander and Banco Real – and we will allocate the proceeds from the IPO to drive our growth. Such proceeds, to be used in a strict and disciplined manner, will enable us to put our expansion plans into effect, which include opening new branches, expanding credit operations and improving our capital structure.

A country facing great challenges now has a bank capable of meeting the needs of its clients, stockholders, employees, suppliers and society in general.

In this way, and with the support of our stockholders, we aspire to be the best and most efficient bank in the country.

Marcial Angel Portela Alvarez
Chairman of the Board of Directors of Santander in Brazil

Message from the president of Santander in Brazil

Pisco Del Gaiso

> We have extremely well-defined ideas and goals, and the greater the trust and involvement of those closest to us, the greater this outcome will be. This is the only way to achieve our objective of being the best bank in the country.

Fabio Colletti Barbosa
President of Santander in Brazil

Message from the president of Santander in Brazil

The year 2009 ended as it began: full of great challenges. If, at the beginning of the year, we were prepared to face the financial crisis and the first steps towards integration, at the end we were preparing the largest initial public offering the country has ever witnessed and the biggest transaction of its type in the world last year. The market showed it believes in our potential, a feeling backed up by the confidence Grupo Santander vests in our Brazilian operations, bolstering our enthusiasm and responsibility for living up to expectations.

All this leads us to believe we are on the right track, financially secure and prepared to grow together with Brazil. Despite the difficulties the market faced during the first half of 2009, we managed to overcome the most difficult moments, thanks to the quality of our teams and the universal operation in the Brazilian market, where we participated in all segments of financial business. Santander is the largest foreign bank in the country, and our access to other markets sets us apart from the rest. It ensures we become the ideal partners for our customers throughout the current internationalization of the Brazilian economy.

We live in an interdependent, interactive world, which is in constantly changing. New generations and technological innovations have forced everyone to rethink their ways of doing business. All institutions have the chance to learn how to deal with the new demands. To design a new bank in this context is a mighty challenge.

Shall we do this together?

Brazil is extremely well placed on the international scenario, holding the most privileged position we have ever enjoyed. If the financial system sparked the crisis in other countries, it was part of the solution here. Our robust system helped the recovery process. Credit expanded around 15% last year in Brazil. According to market estimates, this demand for resources will surpass 20% in 2010, and should basically cater to consumer and investment financing, such as infrastructure, renewal of technology parks and production capacity.

The promising year of 2010 for the country coincides with the completion of the integration of Santander and Banco Real. Initiated in July 2008, the process has reached its last and most important step: the unification of the branch network under the Santander brand name. This is the most visible element of the integration process, but it can only be achieved after all the other elements have been completed. We have been working intensely to cause customers the least possible inconvenience, gradually revealing the advantages and benefits that come with belonging to an even bigger network, gathering together the best each bank has to offer and providing differentiated products and services. The challenge and the responsibility are considerable and we would like to share this journey with employees, customers, suppliers, shareholders and society, in such a way as to maximize benefits for both people and the environment.

We have extremely well-defined ideas and goals, and the greater the trust and involvement of those closest to us, the greater this outcome will be. This is the only way to achieve our objective of being the best bank in the country.

The following report outlines the main steps taken on this journey in 2009. Enjoy your reading!

Fabio Colletti Barbosa
President of Santander in Brazil

Local strength and global capacity

Together, we wish to build the best and most efficient bank in Brazil.

Grupo Santander

Santander is currently the third largest private bank in Brazil in terms of assets, with a market share of 9.3% according to Central Bank figures as of December 2009. It is controlled by the Grupo Santander, the biggest international financial conglomerate with a significant scale in Brazil. Santander's operations in 2009 were integrated with those of Banco Real, acquired by Banco Santander, S.A. (Madrid) at the end of 2007 and transferred to Santander by means of merger of shares in 2008.

Right from the beginning, the strategy has been to seek out the best each bank has to offer in order to build the best and most efficient bank in Brazil. The result of this process is the capacity in terms of innovation for the development of products and services by adopting management practices that keep pace with the evolution of society and promote client and shareholders satisfaction.

The largest initial public offering in the history of the Brazilian capital markets held in October evidenced investorconfidence in the Bank's value proposal and how such businesses are important to the Group. Santander is a publicly-traded company in Brazil with common shares, preferred shares and units listed on the BM&FBovespa under the tickers SANB3, SANB4 and SANB11, respectively, and American Depositary Receipts (ADRs) traded on the New York Stock Exchange under the code BSBR. It is the sixth largest Brazilian company in terms of market value (according to Bloomberg), quoted at R$ 92 billion on 30 December 2009.

Santander is present in all sectors of the Brazilian financial market, operating in the following segments: Commercial, Wholesale, Asset and Insurance. It operates throughout the country, strategically concentrated in the Southern and Southeastern regions. As of December 2009, it had more than 52,000 employees[1] a network of 3,593 branches and mini branches and 18,128 ATMs available to its more than ten million active account holders.

In 2009, the bank posted a net profit of R$ 5.5 billion, 40.8% greater than in 2008. Equity totaled R$ 40.9 billion, excluding R$ 28.3 billion of goodwill from the acquisition of Banco Real and Real Seguros Vida e Previdência. Return on Equity adjusted for goodwill reached 19.3% in 2009, an increase of 2.6 percentage points over the previous year. Net interest margin rose 15.3%, largely due to the 12.4% increase in average credit volume over the same period.

Sound balance sheet and improvement in management indicators. General expenses fell 5.1% compared to the previous year, as a result of the capture of synergies during the integration process. The efficiency ratio[2] reached 35% in 2009, a drop of 9.1 percentage points compared to 2008, whilst fees coverage over expenses[3] reached 57%, an increase of 6.1 percentage points. The Basel Ratio, excluding goodwill, reached 25.6% in December 2009, 10.9 percentage points higher than the previous year.

The credit portfolio grew 1.7% over 12 months, boosted by the individual loan segment (excluding consumer finance) which grew 10.7% to reach R$ 43.4 billion. Corporate loan was hit by the financial crisis, which resulted in a drop in demand by clients. Furthermore, the appreciation of the Brazilian real affected the portfolio in foreign currency. Savings deposits were the highlight of funding, growing 22.2% over the 12 month-period, followed by investment funds, which grew 22.4% over the same period.

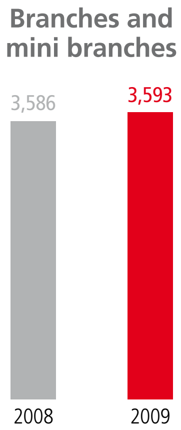
About Santander in the world

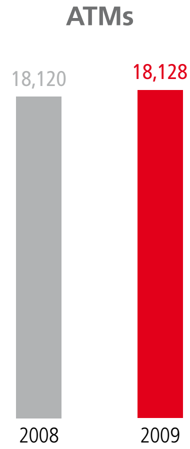
Grupo Santander, headquartered in Madrid, Spain, is the eighth bank in the world and the first in the euro zone in terms of market capitalization, valued at € 95 billion according to December 2009 figures. Net income in 2009 totaled € 8.9 billion, making it the fourth largest bank in the world in terms of earnings. The bank's shares were appreciated by 71.1% against 2008.

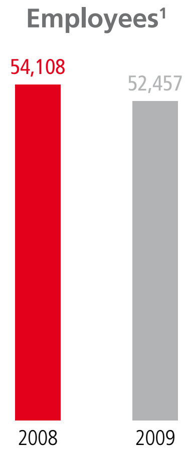
The Bank was founded over 150 years ago, and it is marked by the characteristic of a balanced geographic diversity of its business among mature and emerging markets, ensuring the maximization of revenues and earnings throughout the economic cycles. Grupo Santander is present in nine key markets: Spain, Portugal, Germany, the United Kingdom, Brazil, Mexico, Chile, Argentina and the USA.

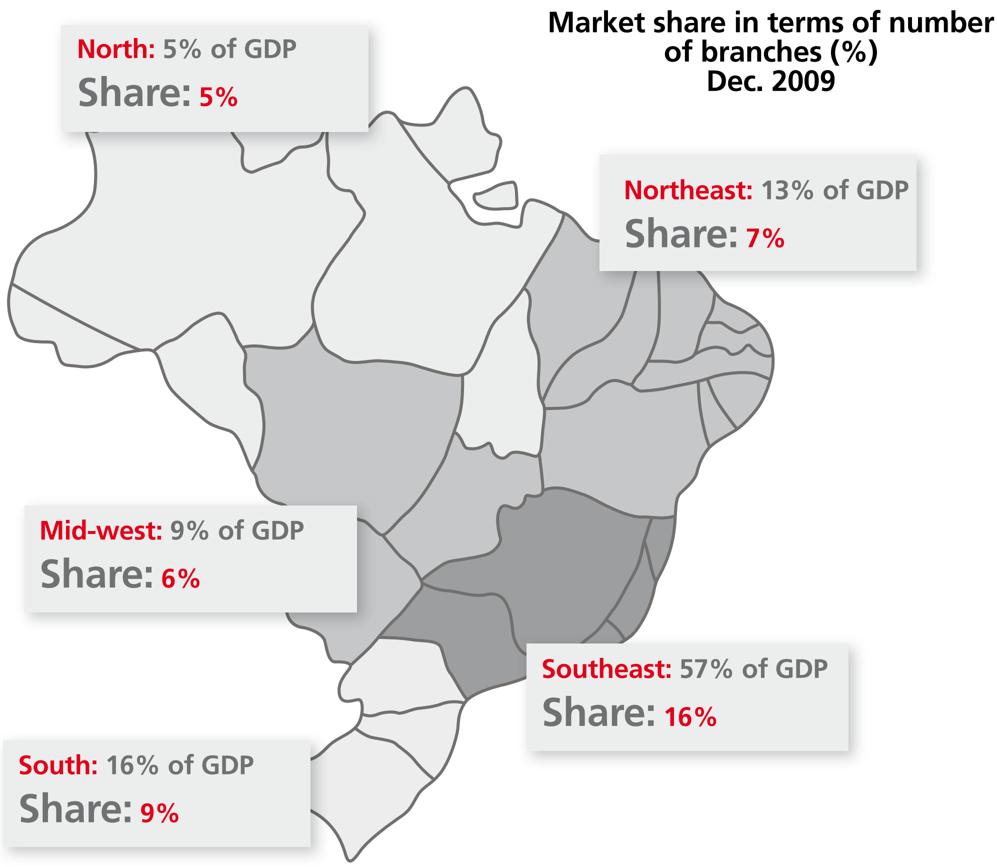
It operates on a global scale, in the divisions of Retail, Wholesale (Santander Global Banking & Markets), Asset Management and Private Banking, insurance and methods of payment (Santander Cards). It has around 169,000 employees looking after approximately 90 million clients at 13,660 branches.

[1] Includes Banco Santander (Brazil) S.A., its subsidiaries consolidated in the balance sheet and certain subsidiaries of Banco Santander, S.A. (Spain) headquartered in Brazil.
[2] Efficiency Ratio: ratio of general expenses to revenues. In 2008, it was calculated based on pro forma financial statements from Banco Santander and Banco Real over 12 months.
[3] Ratio of net commissions to general expenses.









[1] Includes Banco Santander (Brazil) S.A., its subsidiaries consolidated in the balance sheet and certain subsidiaries Brazil. Excluding the subsidiaries of Banco Santander, S.A. (Spain), the figure was 51,241 employees.

The integration process

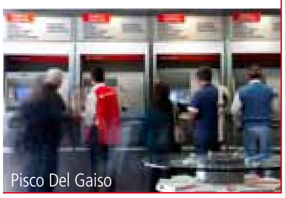
Important stages of integration were completed in 2009, resulting in gains that exceeded initial expectations. A reduction in costs, as a result of the integration process and synergy gains, is already visible. Efficiency ratio[1] improved from 44.1%, in 2008 to 35% in 2009.

New products, services and functionalities were incorporated into the daily routine of clients, combining technological improvements, efficiency, flexibility, and innovation, in addition to greater advantages and comfort. The objective was to gather the best each bank has to offer throughout the whole process. Some changes brought immediate benefits to the clients and made the leverage of the bank's business possible.

2009 Integration Timeline

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

MAR – Interoperability (Interconnection of Santander and Banco Real ATMs)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APR – Legal merger of Banco ABN AMRO Real S.A. by Banco Santander (Brasil) S.A.

MAY – Launch of our Commitment, Model and Mission


Santander

MAY–DEC – Implementation of the Self-service and Teller Platform

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JUN – Unification of Human Resources Policies

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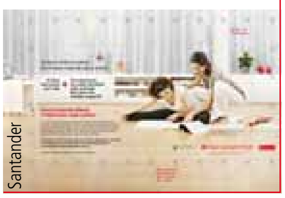
AUG–SEP – Implementation of the new Insurance Service Platform

AUG – Integration of Private Banking

SEP – Launch of *Novo Santander Master* and *Realmaster ainda melhor* products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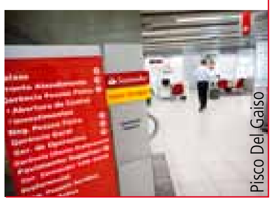
OCT – Integration of Brokers

Launch of the Flex Card

DEC – Launch of Van Gogh Santander services

Launch of the *Vem ser!* Business Model


Pisco Del Gaiso

[1] Efficiency Ratio: ratio of general expenses to revenues. In 2008, it was calculated based on pro forma financial statements from Banco Santander and Banco Real over 12 months.

Pisco Del Gaiso

Pisco Del Gaiso

An example of these benefits is that as early as March 2009, Santander and Banco Real clients were able to make withdrawals, payments and request balances and statements at the branches and through the electronic channels of both banks. Clients can now rely on a vast nationwide network of more than 3,500 branches and mini branches and around 18,000 ATMs.

Other important stages of the process were concluded over the year, including the unification of the central departments and service models – reducing the involvement of the branches in operational routines – the definition of a single business model and the integration of the client service teams and the portfolio of products and services for corporate clients. The new Human Resources policies were launched and vehicle financing operations, brokers and the insurance platform were unified. The legal merger of Banco ABN AMRO Real S.A. by Banco Santander (Brasil) S.A. and the integration of the administrative centers in the Torre Santander building also took place in 2009.

The launch of *Santander Master* and *Realmaster ainda melhor* was a landmark of the integration process, as it brought together the best ideas from each bank in a single product offered to the clients of both networks. In addition, the Van Gogh services were extended to Santander's high-income clients. In addition to this, the Flex card was launched for Banco Real clients.

Such initiatives were all guided by the Bank's commitment in creating strong ties with its employees, clients and suppliers in order to generate innovative ideas in management, products and services. The consolidation of such initiatives in 2009 was an important step in the integration process and the creation of the Santander operating model.

Even though the process is not fully complete, several gains from the integration of the banks are already in evidence. One of these gains is the competitive advantage as a result from the transfer of existing functionalities from Banco Real to Santander's technological platform, making it more robust, in order to ensure the continuity of the best practices of each bank.

From now on , the integration process faces the challenge of unifying the whole network of branches and ATMs under the same brand name. The focus will be on the implementation of projects to perform the preliminary tests for the total migration of the systems. We are also drawing up the Change Management Plan (*Plano de Gestão de Mudanças*), designed to inform and instruct employees on the integration of the networks, with the purpose to maintain or improve both service standards and client service levels.

OUR ESSENCE

OUR MISSION

To be a team that is capable of generating great ideas that satisfy our customers, are profitable for our shareholders and consolidate our position as a global financial leader and an entity that collaborates for the sustainable development of society.

OUR COMMITMENT

We are providers of financial services and we believe that confidence should be the foundation of all our relationships.

We will establish quality relations between us, employees and our customers and suppliers to jointly seek innovative ideas on management, products and services that respond to the challenges of our times.

Thus, we will be the leaders in our sector and the benchmark for the Santander Group, our nation and the market in general.

OUR MODEL

A Changing Governance

On closing the largest initial public offering in the history of the country up to 2009, Santander reinforced its commitment to bringing the best of the world to Brazil and to giving the best of Brazil to the world.

Pisco Del Gaiso

According to the Brazilian Institute for Corporate Governance (the IBGC), corporate governance is a system by which businesses are managed and monitored, and this involves the relationships among shareholders, the Board of Directors, management, independent accountants and the fiscal council. The key principles guiding this practices are: (i) transparency; (ii) fairness; (iii) accountability; and (iv) corporate responsibility.

The principle of transparency means that management should be stimulated to disclose more than the company's financial performance i.e., also other aspects (albeit intangible) that guide management action. Fairness means the fair and equitable treatment of all minorities, associates, customers, suppliers or creditors. The other important principle is accountability of the corporate governance agents to those who elected them, with full responsibility for all actions they take. Last but not least, corporate responsibility represents a wider vision of the business strategy, including considerations such as social and environmental in the definition of the business and its operations.

The policies and practices of corporate governance adopted by Santander in Brazil are based on the respect for shareholders' rights and on transparency in management and communications with its audiences. Such conduct, characteristic of the governance model adopted on a worldwide scale by Grupo Santander, was perfected in 2009 due to the synergies that resulted from the integration process of Santander and Banco Real, and particularly due to the company being listed as Corporate Governance Level 2 on the BMF&Bovespa stock exchange - the São Paulo Securities, Commodities and Futures Exchange – a result of the initial public offering (Units) held in 2009.

The validity of Contract of Adhesion Level 2 started on October 7 2009, reinforcing the bank's commitment with good corporate governance practices. Level 2 is a listing segment at the BMF&Bovespa stock exchange for trading shares issued by companies that voluntarily reaffirmed their commitment with the adoption of differentiated corporate governance practices and the disclosure of additional information beyond the requirements of the legislation in force.

By listing its Units at Corporate Governance Level 2 on the BMF&Bovespa stock exchange in 2009, Santander, which already had its common and preferred shares listed on the BMF&Bovespa stock exchange, automatically committed itself to adopting such differentiated practices for its management and corporate governance, underlining the effort the bank is making to create a model that reinforces its values while meeting the interests of its shareholders. These practices include greater transparency in the disclosure of information, minimum levels for widespread ownership and the equitable treatment of all shareholders. Santander Units are now also traded on the New York Stock Exchange in the form of American Depositary Receipts (ADRs), which means that Santander is now subject to the regulations applicable to both the Brazilian and American capital markets. These markets are supervised by the Comissão de Valores Mobiliários (CVM) and the BMF&Bovespa stock exchange in Brazil, and by the Securities Exchange Commission (SEC) and the New York Stock Exchange (NYSE) in the United States.

The securities issued by Santander in Brazil are traded on the BMF&Bovespa stock exchange in the form of common shares (ON), preferred shares (PN) and Units (certificates of share deposits comprising 50 common shares and 55 preferred shares). By incorporating the two types of shares into the same security (Unit), Santander grants its shareholders a political right – the right to vote, a characteristic of common shares – in addition to an economic advantage, which is the differentiated dividend paid to the preferred shareholders, which, at Santander, is 10% higher than that paid on common shares. In addition, preferred shares have priority in dividend payout.

Another differentiated practice which goes beyond the requirements of Corporate Governance Level 2 concerns tag-along rights, an expression that refers to the right of minority shareholders to sell their stake on the same terms as the majority shareholders in the event the bank is sold. BMF&Bovespa stock exchange Level 2 regulations state that the holders of common shares should receive the same value paid to majority shareholders in the event of the stake being sold. The regulations also provide that at least 80% of this amount is guaranteed to those that hold preferred shares. Santander treats both types of shares equally, granting 100% tag-along rights.

In its ongoing search for the development and the improvement of good governance standards, Santander set clear limits to the strategic and general business guidance and supervision activities, performed by the Board of Directors and to the bank's managerial and executive leadership activities, performed by the bank's Management. In 2009 Santander for the first time elected a Chairman of the Board in addition to the bank's President.

Understanding the Level 2 of Differentiated Corporate Governance Practices of the BM&FBOVESPA

By listing its shares as Level 2, Santander took on the commitment to adopt wider Corporate Governance practices versus the requirements in the current Brazilian laws. Among such practices are:

- The disclosure of financial statements should be in compliance with the IFRS or US GAAP international standards.
- The Board of Directors must have a minimum of five members (with a tenure of up to two years, reelection being permitted). In addition, at least 20% of the Board Members must be independent.
- Preferred shares must have a right to vote over some special matters such as company merger or spin-off.
- All shareholders holding common shares have the right to the same conditions as the majority shareholders in case of sale of majority ownership and the holders of preferred shares must receive at least 80% of this price (tag along rights).
- In case the company is de-listed or its listing at Level 2 is canceled, the bank must organize an offer to purchase all outstanding shares for at least the same value.
- In case of any controversies among shareholder the matter should be taken to the Market Arbitration Chamber.

1. Decision-making Structures

Santander is managed by the Board of Directors and the Executive Board. In addition to these two administrative bodies, there is also an Audit Committee, a statutory body that reports to the Board of Directors and was created and operates in accordance with the standards of the Brazilian Central Bank.

1.1 Board of Directors

Members of the Board of Directors in 2009

Name	Title
1 Marcial Angel Portela Alvarez	Chairman
2 Fabio Colletti Barbosa	Vice-Chairman
3 José Antonio Alvarez	Director
4 José Manuel Tejón Borrajo	Director
5 José Roberto Mendonça de Barros	Independent Member
6 Viviane Senna Lalli	Independent Member

Marcial Angel Portela Alvarez

Mr. Alvarez is Spanish and was born on 23 March 1945. He holds a Bachelor's degree in Political Science from the University of Madrid in Spain and a Master's degree in Sociology from the University of Louvain in Belgium. He is currently Vice-President of Banco Santander S.A. and is in charge of all Latin American operations. He joined Grupo Santander Spain as the executive Vice-President in charge of technology, operations, human resources and efficiency programs. He is a member of the Board of Directors of Banco Santander México S.A. and vice-president of Banco Santander Chile S.A. In 1998 he worked for Comunitel S.A. in Spain. He was president of Telefonica Internacional between 1996 and 1997 and a member of the Board of Directors of Telefônica S.A. in Spain from 1992 to 1996. Between 1991 and 1996 he served as Administrator of the Corporación Bancaria España S.A.– Argentaria and as the Chairman of the Board of Directors of Banco Español de Crédito S. A. Banesto. He worked for the Banco Exterior de España, S.A. in Spain from 1990 to 1991. In September 2009, he was elected Chairman of the Board of Directors of Banco Santander. (Brasil) S.A.

Fabio Colletti Barbosa

Mr. Barbosa is Brazilian and was born on 3 October 1954. He holds a Bachelor's degree in Business Administration from the Fundação Getúlio Vargas in Brazil and a Master's degree in Business Administration from the Institute for Management and Development (IMD) in Switzerland. As Vice-Chairman of the Board of Directors, he is responsible for the strategy of Santander in Brazil. He has been active in the financial market for 23 years. He joined Banco ABN AMRO Real S.A. in 1995 as head of corporate banking and was Chairman of their Board of Directors from 1996 to 2009. He is currently the President of Banco Santander (Brasil) S.A. and executive director of Companhia Real de Valores – Distribuidora de Títulos e Valores Mobiliários S.A. He is also a member of the Board of Directors of Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A., Santander Leasing S.A.– Arrendamento Mercantil, of Real Microcrédito Assessoria Financeira S.A., of Universia Brasil, S. A., and Petróleo Brasileiro S. A.– Petrobras. He is also president of FEBRABAN and a member of the Conselho de Desenvolvimento Econômico e Social da Presidência do Brasil (The Brazilian Council for Economic and Social Development).

From left to right: José de Menezes Berenguer Neto[1], Celso Clemente Giacometti[1], José Antonio Álvarez, Viviane Senna Lalli, José Manuel Tejón Borrajo, Marcial Angel Portela Alvarez, José Roberto Mendonça de Barros, José de Paiva Ferreira[1] and Fabio Colletti Barbosa.

José Antonio Álvarez

Mr. Alvarez is Spanish and was born on 6 January 1960. He holds a Bachelor's degree in Business Economics from the University of Santiago de Compostela in Spain and a Master's degree in Business Administration from the University of Chicago. He joined Banco Santander S.A. Spain in 2002 as head of the finance department and was appointed CFO in November 2004. He was financial director of BBVA (Banco Bilbao Vizcaya Argentaria, S.A.) in Spain from 1999 to 2002 and financial director of Corporación Bancaria de España, S. A. (Argentina) from 1995 to 1999. He was also CFO of Banco Hipotecario, S. A. in Spain from 1993 to 1995 and vice-president of Finanpostal Gestión Fondos de Inversión y Pensiones from 1990 to 1993. He was elected a member of the Santander's Board of Directors in September 2009. He was a member of the Board of Directors of Banco Crédito Local S.A. from 2000 to 2002 and is a member of the Board of Directors of Santander Consumer Finance S. A, chairman of the Board of Directors of Titulización, SGFT, S. A., a member of the Board of Directors of Bolsa de Mercados Españoles, S. A. (BME) and a member of the Board of Directors of Santander Global Property, S. L.

José Manuel Tejón Borrajo

Mr. Borrajo is Spanish and was born on 11 July 1951. He holds a Bachelor's degree in Economics from the Universidade Complutense in Madrid, Spain. He joined Banco Santander S.A., Spain in 1989 as head of general audit and has been in charge of the general audit and administrative control division since 2004. He is chairman of the Board of Directors of Santander de Albacete S.A., chairman of the Board of Directors of Cantabro Catalana de Inversiones S.A., a member of the Board of Directors of Santander Investments S.A., vice-chairman of the Board of Directors of Santander Investments I S.A., a director of Santander Holding Internacional S.A., a director of Santusa Holding S.L., vice-chairman of the Board of Directors of Santander Gestión S.L., chairman of the Board of Directors of Administración de Bancos Latinoamericanos Santander S.L. and chairman of the Board of Directors of Grupo Empresarial Santander, S.L. He was elected a member of the Board of Directors of Santander in September 2009.

José Roberto Mendonça de Barros

Mr. Mendonça is Brazilian and was born on 7 February 1944. He holds a Bachelor's degree, Post-Graduate and Doctor's degrees in Economics from the University of São Paulo and a Post-Graduate degree in Economics from Yale University. He is currently a member of the Board of Directors of BMF&Bovespa stock exchange and a member of the Advisory Board of Pão de Açúcar. He was elected an independent member of the Board of Directors of Santander in September 2009. He was a member of the Board of Directors of GP Investments, of Fosfertil/Ultrafertil, Varig Participações em Transportes Aéreos, Companhia Energética de São Paulo, Eletricidade de São Paulo, Companhia Paulista de Força e Luz, Companhia de Gás de São Paulo, a member of the Economy Council of FIESP, and of the strategic committee of Companhia Vale do Rio Doce.

Viviane Senna Lalli

Ms. Senna is Brazilian and was born on 14 June 1957. She holds a Bachelor's degree in Psychology from the Pontifícia Universidade Católica in São Paulo. She worked as a psychologist for adults and children from 1981 to 1996. She was elected an independent member of the Board of Directors of Santander in 2009. She is also a member of the board of President Luiz Inácio Lula da Silva's Economic and Social Development Board (CDES), of the advisory board of Febraban and Citibank Brasil, of the board of education of CNI and FIESP, of the institutional board of Coca-Cola, Energias do Brasil, ADVB and Todos pela Educação and of the orientation and social investment committees of Banco Itaú Unibanco.

[1] Member elected on 2 February 2010.

Purpose and Members

The Santander Board of Directors is the advisory board of the bank as set out in the company bylaws and in the legislation in force; it is responsible for guiding the business of the bank and its subsidiary and associated companies in Brazil.

Since September 2, 2009, the Board of Directors is comprised by 5 to 12 members elected at the General Meeting with a two year tenure. A minimum of 20% of the Board Members must be Independent Members as required by Regulation Level 2 of the BMF&Bovespa stock exchange. The Board of Directors has a Chairman and a Vice-Chairman elected at the General Meeting by majority of vote.

The rules for election, assumption of office, absences and temporary disability and vacancies in the Board of Directors are set out in the Santander Bylaws.

The Board of Directors performs the duties set out in the Bylaws and according to the legislation, subject to the bank's Code of Regulations. The Chairman of the Board shall: (i) call and chair all Board of Directors meetings; (ii) call the Shareholders Meetings; (iii) guide the preparation of Board Meetings; (iv) assign special tasks to Board Members; and (v) invite the fiscal board members (upon the creation of the entity) to sit in Board meetings in case the agenda includes any topics over which the Fiscal Council has a say.

In order to improve the performance of its duties, the Board of Directors may either create or elect work groups with special purposes which shall act as advisory bodies without resolution powers in order to advise the Board of Directors, to be comprised by members appointed by the Board and/or any other persons directly or indirectly linked to Santander.

Guidance for the Board of Directors Actions

The Board of Directors shall promote long term business prosperity through an active attitude and always considering the best interests of Santander and its shareholders.

The Board members shall strive so that the Santander principles are upheld, maintained and disseminated to employees, especially to newcomers.

Under its Code of Regulations, Board members should be aware of all Santander activities using all means available for a good rationale behind their resolutions.

Duties and responsibilities

In line with the fiduciary duties of directors and officers provided in Articles 153, 154, 155 and 245 of the Corporate Law enacted in Brazil, the members of the Board of Directors shall serve Santander with loyalty, including any other businesses owned by the Group and keep its business confidential, and also any information that has not been disclosed to the market to which they are privy due to their position; ensure that any subordinates and third parties maintain any such information as confidential and cause the provisions of the Santander Code of Ethics to be observed.

Under the bank's code of Regulations, Board Members are prohibited from performing any actions at their discretion at Santander's expenses or at the expenses of any companies owned by Santander in Brazil; taking loans from the bank or its subsidiary companies and use any property owned by the Group for their own benefit; receiving any type of advantages in connection with the performance of their functions; using for their own benefit or that of any third parties any business opportunities they may become aware of in connection with the performance of their functions; fail to protect the company's best interests; acquiring and then re-selling at a profit any property or rights that are needed by Santander or that the latter plans to acquire; use insider information to obtain any advantages to himself or any third parties upon the purchase or sale of securities; participate either directly or indirectly in the trading of securities issued by Santander or referred to him before the disclosure of a material fact occurred in the company business to the market (i) on the 15 day period before the disclosure of quarterly information (ITR) by Santander; (ii) in case there exists a plan to promote, merger, total or partial spin-off, transformation or reorganization of the company ownership; and (iii) throughout the process of acquisition or sale of any shares issued by the Company on the dates in which the Company is trading; take any resolutions on the acquisition or sale by the Company of any shares issued by the Company in case of any agreements for the transfer of ownership or any plans for merger, total or partial spin-off, transformation or reorganization of the company ownership involving relevant investment in associated companies.

The members of the Board of Directors shall not participate in resolutions in which they have any interests that conflict with those of Santander, and each Member shall inform the Board of Directors of any conflict of interest before any discussions take place on the relevant topic.

If a member of the Board of Directors or any company owned or managed by him performs a transaction with Santander owned companies the following rules shall apply: (a) the transaction must be performed under market conditions; (b) in case the transaction is not a usual business transaction or a provision of services, there must be reports or evaluations issued by prestigious firm stating that the transaction was performed according to market conditions; and (c) the transaction must be conducted by the regular channels in the Santander structure.

Board of Directors Meetings

The Board of Directors has four general meetings per year and holds special meetings as called by the Chairman of the Board.

The Board Meetings are disclosed in an annual schedule which is available to shareholders on the Santander, CVM, and BMF&Bovespa stock exchange websites. Throughout 2009, the Board of Directors held 40 meetings.

The calls for the meetings are made via a written notice delivered to individual Board Members no later than five working days before the meeting, except to the extent that the majority of the members agree to a shorter period which shall be at least 48 hours, however, the call is waived for any meetings which all Members attend.

If necessary or urgent the Board of Directors discussions and meetings may be held via conference call, video conference or by any other means of communications that allows the identification of the board member and the simultaneous communication with all other presents.

The resolutions of the Board of Directors shall be made by majority vote among the attendant members and duly registered in minutes, recorded in the pertinent books as prescribed by law, and filed in the business register and the minutes of the Board meetings published that contained resolutions with impact on any third parties.

Secretary of the Board of Directors

The Board of Directors meetings are attended by 1 (one) secretary nominated by whoever chairs the meeting and all the resolutions shall be recorded in the pertinent corporate book. In addition to attending Board meetings as secretary and issuing the competent certifications, the Secretary is responsible for taking care of the formal and material legalities while conducting the activities of the Board and its committees, ensuring the observance of good practices of corporate governance and serving as a link between the Board and the various Committees, thereby ensuring their efficient and coordinated performance.


Paulo Uras

Main powers of the Board of Directors

Definition of policies and strategies

The Santander Board of Directors plays a vital role in the definition of the organization's business strategies in Brazil. As set out in the company bylaws and in the legislation in force, the main function of the Board of Directors is to provide guidance for Santander's business and operations, which should be observed by the Executive Board while conducting their activities.

The Board of Directors is also responsible for the approval of policies for disclosing information to the market and trading Santander securities.

Approval of Financial Statements and the Allocation of Net Profit

As set out in the company bylaws and in the legislation in force, the Santander Board of Directors is responsible for the approval and review of the annual budget, the capital budget and the business plan; for issuing an opinion on the annual, six-monthly and quarterly financial statements, proposing the allocation of net profit from the financial year and determine the distribution of dividends and/or interest on equity.

Approval of Corporate Actions

The Board of Directors should issue an opinion on any corporate actions involving Santander, and authorize the sale of personal and real property that is part of Property & Equipment, providing collateral to any third parties, the acquisition or sale of investments in equity interest with third parties for any amounts that exceed 5% of the net equity stated on the last balance sheet approved by the General Meeting, as well as authorize any equity associations or strategic partnerships with third parties.

Changes to the Capital Structure and the Bylaws

The Board of Directors is responsible for proposing increases or reductions in Santander's share capital, the issue of bonuses, subscription, grouping, share spin-off, the trading of shares to be removed or added to treasury and any changes to Santander bylaws.

Appointment of Directors and Compensation Policies

The Board of Directors is responsible for appointing and removing members of the Executive Board and determining their compensation, benefits and other incentives, subject to the global limit of compensation approved by the General Meeting , including the determination of profit sharing for Santander directors and employees and Santander subsidiary companies.

It is also the responsibility of the Board of Directors to approve the assignment for stock option to directors, employees or individuals that render services to Santander or to Santander subsidiaries, subject to the Option Plans approved in General Meeting.

Audit Committees and the Ombudsman

The Board Of Directors is responsible for nominating the members of the company's Audit Committee and Ombudsman.

Assessment of the Board of Directors

In accordance with the Code of Regulations, the Board of Directors, its Chairman and the Committees should be assessed on an annual basis. The members of the Board of Directors should also undergo self-assessment, using criteria established by the Board of Directors.

The composition of the Board is assessed on an annual basis to ensure the complementarity of the capabilities of its members.

Shareholders may access the Code of Regulations of the Board of Directors, approved in the meeting held on 23 December 2009 on the sites www.santander.com.br/ri and www.santander.com.br/acionistas, section "Corporate Governance – Board of Directors".

Audit Committee

The Audit Committee is a statutory body of Santander and came into being at the Board of Directors meeting held on 23 March 2007.

The Audit Committee advises the Board of Directors in the supervision of financial reports, in the assessment of the effectiveness of the internal control systems, of the independence of the auditors and the performance of the independent and internal audits, and also proposes improvements for policies, practices and procedures identified in the scope of its powers, whenever deemed necessary.

The main functions of the Audit Committee are:

- to recommend the independent accountants to be appointed by the Board of Directors;
- to supervise the work of the independent accountants;
- to request the replacement of the independent accountants when deemed necessary;
- to review the six-monthly financial statements, as well as the Board reports and the audit reports;
- to receive and divulge information on possible non-compliance with internal procedures or applicable standards;
- to hold meetings with the directors and the independent and internal auditors to verify compliance with recommendations.

At the end of 2009, the Audit Committee was made up of the following members:

Name	Title
Maria Elena Cardoso Figueira	Coordinator
Taiki Hirashima	Member
Sérgio Darcy da Silva Alves	Member

In 2009, 36 meetings of the Santander Audit Committee were held.

1.2. Board of Executive Officers

The Executive Officers are responsible for the management and representation of Santander. At the end of 2009, the Executive Board was composed of one President, two Senior Executive Vice-Presidents, six Executive Vice-Presidents, sixteen Executive Officers and twenty-six Officers with no specific title.

The President, the Senior Executive Vice-Presidents and the Executive Vice-Presidents of the Board of Executive Officers are part of the Executive Committee. The Executive Committee is a non-statutory committee and it participates in policy decisions concerning business management and operational support, in addition to human resources and allocation of capital. It also deliberates on the main projects for technology, infrastructure and services. The Executive Committee is supported by 15 committees involving different areas at Santander. The idea is to ensure that decision making complies with the Santander's guidelines and aspirations in a systemic and transparent manner.

Members of the Executive Committee in 2009

Name	Title
Fabio Colletti Barbosa	President
José de Menezes Berenguer Neto	Senior Vice-President
José de Paiva Ferreira	Senior Vice-President
Angel Oscar Agallano	Executive Vice-President
Carlos Alberto López Galán	Executive Vice-President
Gustavo José Costa Roxo da Fonseca	Executive Vice-President
João Roberto Gonçalves Teixeira	Executive Vice-President
Oscar Rodrigues Herrero	Executive Vice-President
Pedro Paulo Longuini	Executive Vice-President


Fabio Colletti Barbosa


José de Menezes Berenguer Neto


José de Paiva Ferreira


Angel Oscar Agallano


Carlos Alberto López Galán


Gustavo José Costa Roxo da Fonseca


João Roberto Gonçalves Teixeira


Oscar Rodrigues Herrero


Pedro Paulo Longuini

Pisco Del Gaiso

Support Committees

Santander relies on the support of the following non-statutory committees:

Social Action Committee – defines the strategy of social activities carried out by Santander, ensuring there is compliance with the organization's sustainability practices, adding value to the different stakeholders and making a difference on Brazilian society.

Assets and Liabilities Committee (ALCO) – controls the management of capital and structural balance sheet risk, including country risk, interest rates and foreign exchange risks.

Compliance Committee – deliberates on activities and matters related to the obligations and risks of legal or regulatory sanctions, material financial loss or loss to reputation that Santander might suffer as a result of failing to comply with the laws, regulations, rules, standards required by self-regulatory agencies and codes of conduct applicable to Santander's activities.

Advisory Council on Sustainability Practices – formed by a group of leaders in their area of operation, its objective is to help define the strategic orientation of the initiatives of the *"Espaço de Práticas em Sustentabilidade"* program (Space for Sustainability Practices), holding the best interests of the bank's stakeholders at heart.

Sustainability Advisory Committee – approves the emblematic guidelines and initiatives on sustainability, such as the definition of Santander's strategic positioning on sustainability. The committee is also responsible for the alignment of initiatives with Santander's strategy, in addition to monitoring and overseeing them.

Diversity Committee – contributes to the progress of the *Programa de Valorização da Diversidade* (Program for the Valuing of Diversity) at Santander.

Efficiency Committee – strives for the continuous improvement of the model for the approval of expenditures and investments, in a way that optimizes the resources by allocating them to more profitable and/or more strategic projects for Santander.

Technological Strategies Committee – assesses the technological situation at Santander, giving support to strategic decision making with significant impact on the organization. It is responsible for the implementation and fulfillment of technology policies, models and guidelines.

Wholesale Executive Committee – advises on business strategies, budgets and plans for execution, helping ensure the operational performance and inherent risks to Santander Global Banking & Markets (SGB&M) segment are appropriate and under control, and that they are in accordance with the highest standards of excellence of corporate governance.

Retail Executive Committee – advises on business strategies, budgets and plans for execution. It also acts to ensure operational performance and the risks inherent to the Retail area are appropriate and under control.

Fiduciary Affairs Committee – a forum for the assessment of all matters related to Asset Management activities that imply institutional or image risk. The committee is also responsible, by means of its power of veto, for signing off on credit limits, counterparties and brokers approved by fixed income, variable income, credit and brokers committees.

Products Committee – acts to ensure products and services are guided by the highest standards of excellence, guaranteeing their suitability to customers and compliance with tax, labor-related, civil, accounting and regulatory standards, as well as ensuring Compliance policies and the risks resulting from putting the same into operation are under control.

Human Resources Committee – defines Human Resources policies and strategies for Santander companies. It also suggests and approves general procedures for the career development process, facilitating the identification of high-potential professionals at the bank.

Brazil Risks Committee – responsible for the approval of risks related to individual customers, corporate customers, letters of indication, pre-classifications and limits/products for risks to the Treasury and ALCO (Asset and Liability Committee), which exceed the jurisdiction of the operational committees.

Operational Risks Committee – aims at strengthening the system for the management and control of operational risk and the formation of the structure of corporate governance at Santander. It defines, approves and deliberates on policies and guidelines for operational risks and internal controls.

2. Initial Public Offering

Participative Governance

We believe sustainability is an engine for innovation, and results in new ways of thinking about processes, products and management practices. In order to ensure it is present in our decision making mechanisms, we have enhanced our governance model to include councils and committees responsible for submitting sustainable ideas, guidelines and initiatives to the Executive Committee. We encourage the participants of these forums to get involved and to take the initiative by means of debating new ideas, sharing practices and actively participating in decision making.

The Sustainable Development Board leads this process. It acts as an internal consultant for our departments, training people and identifying pathways leading to sustainability in order to support the achievement of our business goals. In this way, we strive to involve leaderships and to develop customized solutions for each department, without forgoing a systemic view that recognizes existing initiatives and increases the impact of our activities. This board also participates on thematic committees created for the management of specific programs or products, as is the case of the Ethical Fund, the activities of Diversity program and the Espaço de Práticas em Sustentabilidade program, which relies on an Advisory Council.

The largest initial public offering in the world

The simultaneous arrival of Santander Units on the BMF&Bovespa stock exchange and New York Stock Exchange on 7 October 2009 achieved a number of milestones. It was the largest initial public offering in the history of the Brazilian capital market at the time, raising the record amount of R$ 13.2 billion and turning Santander into the sixth largest company in market value in the country on 31 December 2009, according to the consulting firm Bloomberg.

It was also the largest IPO in the world in 2009. The amount raised amounted to US$ 8.06 billion. These figures showed that the Brazilian capital market was one of the first to recover from the effects of the economic crisis that unfurled at the end of 2008.

The transaction also underscores Grupo Santander's firm commitment to Brazil, evidenced by the purchase of Banespa (*Banco do Estado de São Paulo*) in 2000 and by the acquisition of the Brazilian operations of ABN AMRO, Banco Real's parent company, in 2007. Grupo Santander is reinforcing its willingness to bring the best of the world to Brazil and to give the best of Brazil to the world.

It also highlights its commitment to a responsible, transparent and sustainable management, from an institution that believes differentiated practices of corporate governance are tools for creating value. It also evidences the trust of thousands of Brazilian investors – including 24,200 employees and 52,300 customers – and foreigners who decided to participate in the creation of a new bank that combines the best practices of both Santander and Banco Real and which aspires to become the best and most efficient bank in Brazil.

Ownership Structure

In 2009, the key change in the Santander ownership was its first Public Offer of shares (units), which began to be traded on the BMF&Bovespa stock exchange and on the NYSE on October 7, 2009.

In addition to the increase in capital in connection with the public offer, the Santander equity capital also underwent changes in connection with the merger of shares from the asset management business (Santander Brasil Asset Management DTVM S.A.) and the insurance business (Santander Seguros S.A.), to that date owned by Santander Spain, and the shares of Banco Commercial e de Investimento Sudameris S.A. The objective of this move was to consolidate a part of Santander Espanha investments in Brazil, simplifying the corporate structure and concentrating the interest of minority shareholders in these Grupo Santander companies. As a result of these transactions, share capital increased by approximately R$ 2.5 billion and 14,410,886,000 shares were issued, 7,710,343,000 of which were common and 6,700,543 preferred shares.

Santander's IPO initially issued 525 million Units, each one made up of 55 common and 50 preferred shares. On 29 October 2009, the initial offer was raised by 6.85%, or 35,955,648 Units, as a result of the partial exercise of the option of a supplementary lot of the international offer.

As a result of such capital increases in connection with the initial public offering, the number of Santander shares increased more than 22%, to 399,044,117,000 in December 2009 from 325,758,283,000 shares on 31 December 2008. The percentage of outstanding shares (free float) rose to 16.5% from around 2%, directly and indirectly reducing the ownership of majority shareholders through the companies Grupo Empresarial Santander. S.L., Sterrebeeck B.V., Santander Insurance Holding and Santander Seguros S.A. This resulted in the interest of Grupo Santander Spain in Santander Brasil falling from approximately 98% on 31 December 2008 to 83.5% on 31 December 2009.

The companies listed on Level 2 on BMF&Bovespa stock exchange are required to have a certain percentage of outstanding shares, i.e., at least 25% of the total shares issued by the company. Thus in the future, the percentage of Santander outstanding shares will increase in order to comply with the minimum percentage required to be outstanding in the market.

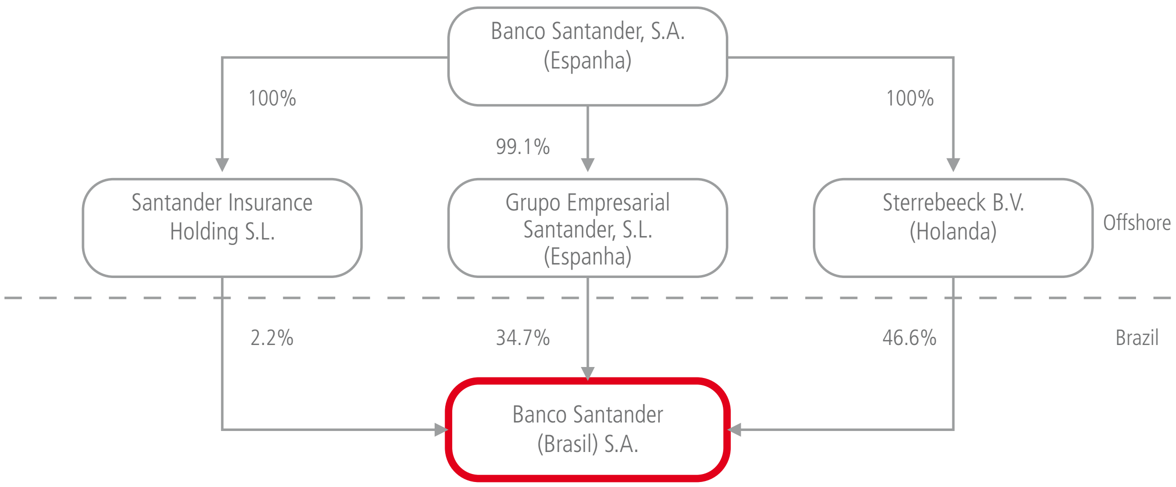
Ownership structure on 31 December 2009 was as follows:

Ownership Structure on 31 December 2009

	Common Shares		Preferred Shares		Total	
Shareholders	**Quantity**	**%**	**Quantity**	**%**	**Quantity**	**%**
Grupo Empresarial Santander, S.L.	74,967,225	35.2%	63,531,986	34.1%	138,499,211	34.7%
Sterrebeeck B.V. [1]	99,527,083	46.8%	86,492,330	46.5%	186,019,413	46.6%
Santander Seguros S.A. [2]	7,241	0.0%	9,525	0.0%	16,766	0.0%
Santander Insurance Holding [1]	4,745,084	2.2%	4,125,836	2.2%	8,870,920	2.2%
Employees	311,840	0.1%	284,366	0.2%	596,206	0.1%
Members of the Board of Directors	(*)	(*)	(*)	(*)	(*)	(*)
Members of the Executive Board	(*)	(*)	(*)	(*)	(*)	(*)
Others	33,283,259	15.6%	31,758,342	17.1%	65,041,601	16.3%
Total	**212,841,732**	**100.0%**	**186,202,385**	**100.0%**	**399,044,117**	**100.0%**

[1] Companies of Grupo Santander Spain.
[2] The merger of Santander Seguros S.A. shares resulted in a mutual participation between Banco Santander and Santander Seguros S.A., which shall be eliminated within a maximum time limit of one year counting from the Special Meeting that approved the merger of the shares, i.e. 14 August 2009, as set forth in current regulations.
(*) None of the members of the Board of Directors or the Executive Board holds 1% or more of any class of Santander's shares.

Simplified Ownership Structure Chart



Shareholder Base

Distribution of share capital per type of shareholder at the end of 2009 was as follows:

	Number of shares (billion)[1]	%
Individual Investors	9	2.2%
Corporate Investors	56	14.0%
Grupo Santander	333	83.5%
Others	1	0.3%
Total	**399**	**100.0%**

There are more than 225,000 Santander shareholders in Brazil, of which around 206,000 are individual investors. Dealing with such a vast shareholder base is a huge responsibility, and in order to meet the expectations of shareholders, the bank employs a consistent dividend payout policy.

The total of dividends and interest on equity posted in 2009 came to R$ 1.58 billion. The total amount net of taxes received per class of one thousand shares is shown in the table below:

	Dividend +JCP Value/thousand
Ordinary shares	3.76
Preferred shares	4.14
Unit	242.30

Taking into consideration the market prices of the various classes of share at the beginning of the relevant period (31 December 2008 for common and preferred shares and 06 October 2009 for Units), these dividend and interest on equity payments resulted in the following dividend yield per class of share:

	Annualized Yield
Common Shares	2.51%
Preferred Shares	2.96%
Units	4.12%[2]

[1]Total of common and preferred shares, including the shares that back the units.
[2] Income from 4Q2009 annvalized.

Evolution of prices

The value of Santander common shares increased 60% on the Brazilian capital market in 2009. As a consequence of initial public offering (Units) and the share appreciation throughout the year, Santander's capitalization reached R$ 92 billion at the end of the year, which places Santander in 6th place among the largest Brazilian companies in terms of capitalization.

Units which turned into Santander's main instrument of reference after the IPO, ended 2009 with a quotation of R$ 23.90, 1.7% higher than before the IPO.

Shareholders' Rights and General Meetings

Shareholder's rights

As mentioned earlier each common share issued by Santander grants its holder the right to one vote in the General and Special Meetings.

Preferred shares have no right to vote in the General Meetings, except to the extent of the following matters:

- Transformation, merger or spin-off of Santander;
- The approval of any agreements between Santander and its majority shareholder, either directly or through third parties and also any agreements with other companies where the majority shareholder has an interest which are put to vote in General Meetings under legal or bylaws provisions;
- The assessment of any properties to be used in Santander capital increase;
- The selection of a specialized firm to valuate Santander, in case of its public company registry is canceled or the removal of Santander from Level 2 (except to the extent of migration to the New Market, which shall imply the adoption of additional Corporate Governance practices);
- Any changes or revoking of bylaws clauses which may change any requirements set out in Regulation Level 2, and any such rights shall be valid while Regulation Level 2 remains in force.

The holders of preferred shares shall be granted the following rights and advantages:

- Dividend payout that is 10% higher than those attributed to common shares;
- Priority in dividend payout;
- The right to purchase common shares under equal conditions in case of capital increases as a result of the capitalization of reserves and profits, and during the distribution of bonus shares in connection with the capitalization of retained earnings, reserves or any other funds;
- Priority in the reimbursement of capital, without premium, in case Santander is dissolved.
- The right to be part of the sale, in case of the sale of the majority shareholder interest in one single transaction or in successive transactions, under the same conditions offered to the majority shareholders

In the General Meetings that are regularly called, shareholders may resolve about the business in connection with the key business activities and take all the resolutions that they deem favorable to the best interests of the bank, as per the agenda disclosed in the call for the meeting. The shareholders shall have the exclusive right to approve in the Annual Meeting the financial statements and resolve about the use of the net income, dividend payout in connection with last fiscal year and determine the compensation of the Board of Directors, Officers and the members of the fiscal council, if applicable. The members of the Board of Directors and the fiscal council as a rule are elected in General Meetings, although the Corporate Law prescribes that they should be elected in a Special Meeting.

The Special Meeting may be held at any time, including jointly with the General/Annual Meeting. At the Special meetings, the shareholders shall approve, without limitation, the following matters: (i) changes in the bylaws; (ii) election and removal of Board Members; (iii) approval of Management accounts and financial statements; (iv) the canceling of the registry of shares in the Level 2 segments of BMF&Bovespa stock exchange; (v) the transformation of Santander in a limited liability company or any other type of firm under the laws; (vi) the approval of any mergers or spin-off of Santander; and (vii) approve the dissolution or liquidation of Santander and the approval of any reports issued by the liquidators, if any.

In 2009, the Santander shareholders held eight General Meetings. Below are the main resolutions taken:

- The General Meeting held on April 14, 2009 - the change of the corporate name to Banco Santander (Brasil) S.A.
- The General Meeting held on April 30, 2009 - the approval of the financial statements for fiscal year 2008; the use of net income and the determination of the annual compensation of directors and officers.
- The General Meeting held on April 30, 2009 - the merger of Banco ABN AMRO Real S.A.
- The Special Meeting held on August 14, 2009
  - canceling treasury shares..
  - the merger of the shares of Santander Seguros S.A., Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A. and Banco Commercial e de Investimento Sudameris S.A., with the conversion of these companies into wholly owned subsidiaries of Santander.
- Special Meeting held on August 31, 2009 - any changes and consolidation of the Bylaws in order to adapt it to the provisions of Regulations Level 2 of BMF&Bovespa stock exchange.
- Special Meeting held on August 31, 2009
  - the total spin-off of Santander Investimentos em Participações S.A. with a portion of its equity being incorporated by Santander and Santander Advisory Services S.A., whereby Santander Investimentos em Participações S.A. will cease to exist.
  - The merger of Banco Commercial e de Investimento Sudameris S.A. and ABN Amro Administradora de Cartões de Crédito Ltda by Santander, whereby such companies will cease to exist.
- The Special Meeting held on September 2, 2009 - the approval of the new members of the Santander Board of Directors.

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3. Transparency and Disclosure of Information Policies

The obligation and commitment of Santander is to provide markets with all the necessary information for shareholders to make investment decisions with transparency, equality of treatment and access to information.

One of Santander's most revered principles is the policy of widespread divulgement, in the belief that long-term transparency and the creation of value are two directly related concepts.

3.1 Shareholder and Investor Relations

Santander has an Investor Relations department and a Shareholders department (*Santander Acionistas*), both created to provide information on the business and performance of the company in a clear, precise and agile manner. Transparency in the disclosure of information and market communications is a key requirement for Santander, as it ensures both professionals and investors draw the right conclusions about the bank. Furthermore, a close relationship with these audiences makes it possible for Santander to gain firsthand opinions on the bank's performance.

Access to information is vital for investors, as their investment decisions are made based on this data. The main channel for accessing this data is the investor relations website (www.santander.com.br/ri). This website includes timely information disclosed to the market and filed with the regulatory agencies (CVM and SEC) and with the BMF&Bovespa stock exchange and New York Stock Exchange. It also provides data on share structure, ratings and performance indicators. Santander also holds events with shareholders and meetings with analysts and investment professionals.

If, on one hand, the investor relations department is aimed at dealing with Brazilian and foreign institutional investors and analysts, on the other, individual investors in Brazil have been enjoying the personalized service provided by *Santander Acionistas* since 2009. In Brazil, this Grupo Santander global structure serves more than 206,6 thousands individual investors (figures as of December 2009).

Shareholders may access bank's information through an exclusive internet website (www.santander.com.br/acionistas), and informative tool designed for non-professional investors. In addition, it offers a service channel by e-mail (acionistas@santander.com.br) and a toll-free phone line (0800 286 8484).

Finance Information and other relevant information

In accordance with CVM Instruction 358, Santander's quarterly financial disclosures, and all the material facts, are simultaneously made available on all the markets it has listed shares on, through the Securities Exchange Commission - SEC. This information is also available in both English and Portuguese on the Investor Relations site (www.santander.com.br/ri), and on the shareholders´ site (www.santander.com.br/acionistas).

Also available on the Investor Relations website are:

- Bylaws;
- Code of Ethics;
- Corporate Governance Practices;
- Calls for general and special meetings;
- Minutes of Extraordinary Shareholders' Meeting, Ordinary Shareholders' Meeting, Officers' Meeting and Board of Directors' Meeting.
- Risk Policy;
- Appointment of the management;
- Financial Information:

- Financial Releases
- Complete Financial Statements in IFRS and BR GAAP

Anyone may register on the Investor Relations site and receive relevant information published by Santander.

3.2 Codes of Conduct

Santander has a Code of Conduct for its employees and officers regarding the trading of shares or Units issued by the bank. For example, it is forbidden to make use of insider information, i.e., that which is not disclosed to the public by the independent media. Such restrictions apply to individuals and legal entities that have direct connections to the bank's employees and officers.

Further, employees and officers are not allowed pf making transactions one month before Santander's results are disclosed (quarterly, half-yearly or annual), and from carrying out short-term transactions by selling or buying any shares within a 30-day period in order to benefit from speculative activity. The Code of Conduct also establishes that under no circumstances may deals be made with competitors that might influence the price of transactions or trade policies and/or might constitute unfair competition. It also prohibits the spreading of rumors with the aim of benefiting from market response, as well as carrying out personal transactions at rates or prices which are unrealistic in relation to the current market. If making investments at unrealistic rates or prices is compellingly necessary, employees need to obtain authorization from the Compliance area, responsible for ensuring the rules of the Code of Conduct are complied with.

Disclosure of Material Facts and Santander Trading

As required by CVM Instruction 358, Santander also has a policy for disclosing relevant facts and trading of securities, which deals with the disclosure of material information and the maintainance of confidentiality regarding information that has not been publicly disclosed. Material information consists of any decision made by the controlling shareholder, resolutions made in General Meetings or by the management, or any other actions or facts of a political-administrative, technical, business or economic-financial nature having occurred or which is related to bank business, that might significantly influence (i) the price of the securities; (ii) the investors´ decision to buy, sell or retain securities; or (iii) the investors´ decision to exercise any rights inherent to the condition of holders of securities the bank has issued.

Code of Ethics

Santander's Code of Ethics sets out practices that are commensurate with the values of citizenship, dignity, work, respect, loyalty, decency, care and efficiency. It is made integral part of the manuals on the Prevention of Money Laundering, Press Relations and Purchasing Management Conduct, a global publication. In addition, our employees are directed to adhere to a policy of Information Security based on the principles of confidentiality, integrity and availability. The complete version of the documents is available at www.santander.com.br.

Brazil: the country of the present

We are experiencing the right moment, in the right country, at the right bank.

The beginning of 2009 was marked by uncertainties on the economic front as a consequence of the global crisis that unfurled in the second half of 2008. However, this scenario was quickly reversed in Brazil. The combination of a solid financial system with good economic fundamentals – such as the international reserves maintained at high levels and controlled inflation - and temporary tax relief measures, reduced interest rates and fewer restrictions on credit incentives resulted in the gradual recovery of the country's economic indicators.

The GDP for the fourth quarter of 2009 (according to IBGE data as of March 2010) posted a 2% growth versus the previous quarter. This shows the economy is recovering despite the 0.2% drop year-to-date. This recovery was sustained by the growth in domestic consumption and the resurgence of industrial production, especially in sectors such as household appliances, automobile and civil construction, which were boosted by government incentives. However, the performance of the agriculture and cattle-raising sector was rather disappointing.

2%

growth of GDP in the fourth quarter of 2009

8.1%

unemployment rate in 2009, a continuation of the downward trend that began in March

US$ 239 billion

total international reserves as of December 2009

This positive trend was also evident in the creation of new jobs, causing the unemployment rate to slip to 8.1% in 2009, a continuation of the downward trend that began in March, when the rate peaked at 9% during the crisis.

Recent indicators point to the continuing growth of the country's economy. Brazil posted a single-digit interest rate (Selic) for the first time in decades: 8.75% at the end of 2009. Inflation continued its downward trend and closed the year at 4.3%.

Economic-Financial Indicators	2009	2008
Country Risk (EMBI)	197	428
GDP (actual growth)	-0.20%	5.10%
Exchange rate (R$/US$ end of period)	1.74	2.34
IPCA (in 12 months)	4.31%	5.90%
Selic Rate (a.a)	8.75%	13.75%
CDI rate[1] (a.a.)	9.88%	12.38%
Reference rate (TR a.a.)[1]	0.82%	1.63%
Ibovespa Index (closing)	68.588	37.550

Confidence in the Brazilian economy is reinforced by the influx of foreign capital, which totaled R$ 25.9 billion in 2009.
The good performance of foreign accounts is one of the factors that have kept the Brazilian real strong, which at the end of 2009 posted a 25% increase year-on-year, quoted at R$1.74/USS.
International reserves at high levels also contributed to Brazil's favorable outlook. These reserves totaled US$ 239 billion as of December 2009.

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[1] Effective rate.

This scenario helps contribute to the expansion of the volume of business in the banking sector. Credit operations, for example, continue to recover, particularly individual loans. In December, the credit/GDP ratio reached 45%.

In turn, corporate loans are starting to show signs of recovery, thereby contributing to the increase in unsecured credit extensions. Nevertheless, there are still signs that the scenario has yet not returned to normal, such as default levels and the reduced average payment periods, suggesting companies are not taking credit for investments.

The Brazilian financial system has undergone a consolidation process over the last few years. According to the Central Bank, the five largest banks accounted for 65% of total assets and 76% of total deposits in December 2009. Santander is the third largest private bank in the country, with a 9.3% market share, and the fifth largest bank in terms of total assets.

Domestic Financial System - Ranking By Total Assets - Dec.2009

Ranking	Institution	Total Assets R$ billion	Deposits R$ billion	Credit R$ billion
1	BB	692	338	280
2	ITAÚ	586	198	179
3	BRADESCO	444	173	152
4	CEF	342	181	124
5	**SANTANDER**	**334**	**114**	**117**
6	HSBS	100	66	32
7	VOTORANTIM	87	24	38
8	SAFRA	71	14	21
9	CITIBANK	41	13	9
10	BANRISUL	29	17	13

Source: the Top 50– Central Bank of Brazil


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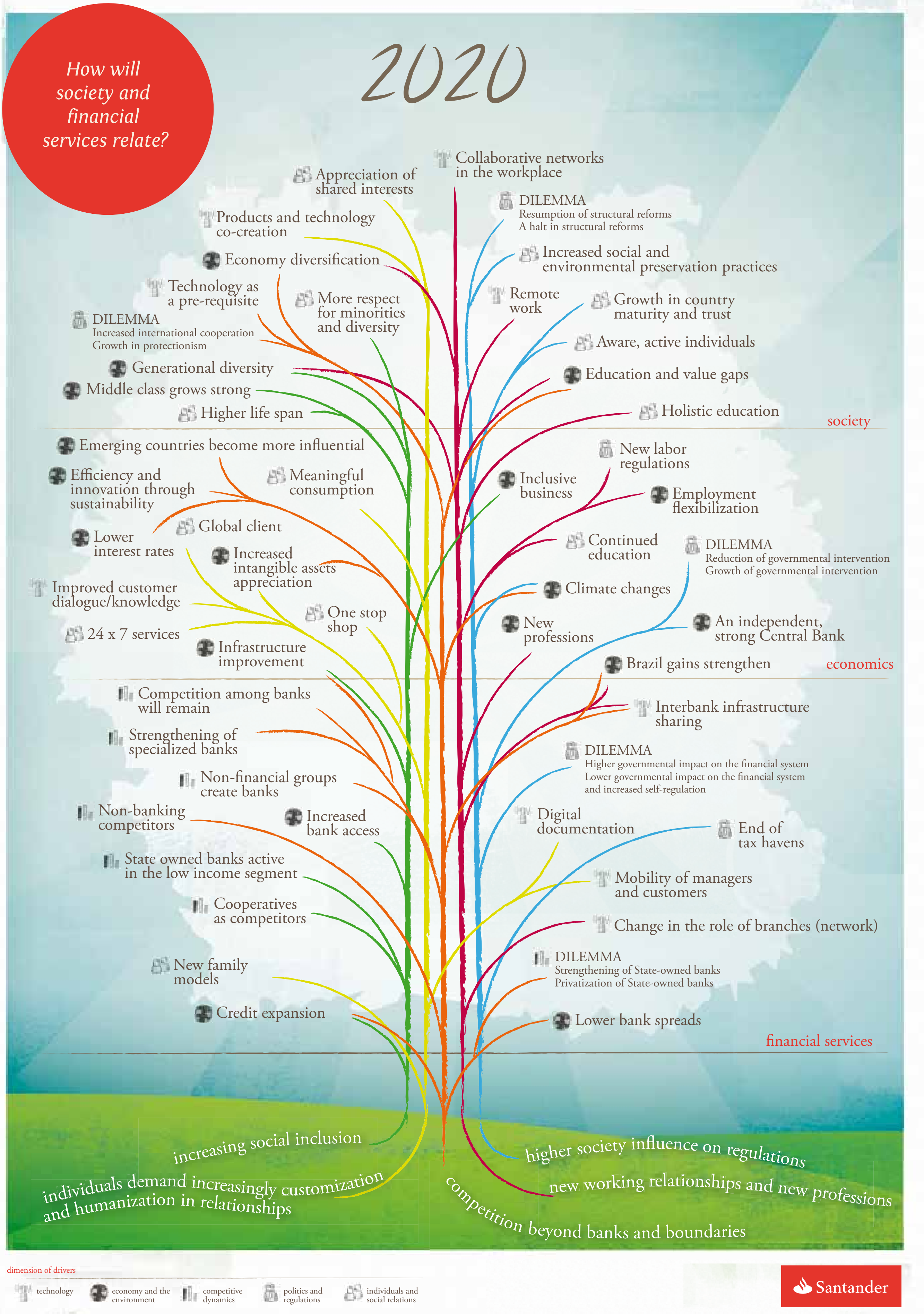
The future is what we make of it

The success of a business is closely linked to its vision of the world, to how it envisions the future and how it intends to deal with change. Without taking into consideration what tomorrow holds, it is impossible to innovate, to make a difference.

Society is changing and wants a bank that can keep up with its evolution. Work relations will never be the same again. New professions are appearing. There are more people of a productive age, with higher incomes and better prospects of gaining access to education and healthcare. Individuals who are now aware of their rights and potential are beginning to exert an influence on the principles of the financial sector, which is increasingly competitive and globalized. Clients are looking for greater personalization and humanization in their relationship with a bank.

These major converging tendencies have led us to plan business and management practices that are in tune with the expectations of society. This scenario is being disseminated within the Bank to serve as a background for our decision making processes (see image next page). We are talking about an organic process, consisting of a collaboration network headed by a group of employees who are drawing up the strategic map of the bank.

2020 Scenario



Trust in order to build

The best business in the world is the best business for the world.

Santander believes that trust should be the foundation of all its relationships. The building of strong ties between the bank, its employees, clients and suppliers will lead to the generation of innovative ideas in management, products and services.

The consolidation of this commitment in 2009 represented an important step for Santander's integration process and operation model, which inspires and guides employees in the development of management strategies, thereby helping the bank to achieve its aspirations:

1 To be the leading bank in Brazil in terms of generating shareholder value

2 To be the best bank in terms of customer satisfaction

3 To be the best bank to the employees

4 To create the most admired and renowned brand name among Brazilian banks

Santander possesses unique characteristics to help achieve these aspirations: it is the only global bank with significant scale in Brazil at a time when domestic companies are undergoing the internationalization process; it can offer a wide range of financial services and products to its growing client base; and it has an engaged team working collaboratively towards client satisfaction.

The bank believes it can achieve these aspirations by employing the following strategies:

- Improve operating efficiency by benefiting from integration synergies and implementing best practices;
- Expand product offering and distribution channels in Commercial Banking;
- Capitalize on the Bank's strong market position in the wholesale business;
- Further develop a transparent and sustainable business platform;
- Continue growing the Bank's insurance business.

Santander

Following these aspirations, in October 2009, Santander held the world's largest IPO (units) of the year, raising R$ 13.2 billion. It intends to expand its physical structure using the proceeds from the IPO, by opening new branches and expanding credit operations, thereby increasing its market share. In addition, it will allocate part of these resources to improvements in its capital structure, and, on 22 January 2010 it redeemed its Certificate of Bank Deposit (*Certificado de Depósito Bancário - CDB*) issued by Santander Brazil on 25 March 2009, a subordinated debt with Banco Santander, S.A. (Spain) as creditor, originally due to mature on 25 March 2019, at a value of R$ 1.5 billion.

Management tools

In order to measure the progress in making such strategies and investment plans a reality, the bank created the Painel da Presidência, a management tool based on the monthly monitoring of the four strategic aspirations. These indexes began to be used as parameters for bonus payments to executives in 2009. In 2010, the objective is to fine-tune this mechanism, bringing it in line with the expectations of society and the challenges of the financial sector.

Consequently, it was necessary to draw up a detailed route outlining the paths we need to go down in order to achieve these aspirations. To that effect, the *Grupo de Planejamento Santander* (GPS) was created. It is a forum dedicated to drawing up the strategic map of the bank, studying scenarios and aligning the business plans for the commercial areas. It operates as a collaboration network, with around 50 members who hold fortnightly meetings to share information and disseminate concepts, projects and trends.

In addition to attending the meetings, forum members interact by means of virtual communication channels such as the *Círculo Colaborativo*, open to all employees. This establishes an open planning platform, creating partnerships and promoting collective participation. After the completion of the Santander strategic map, scheduled for 2010, the next challenge for the GPS will be to engage and instruct the different areas of the bank on how to create their own routes and how to use them to make their business decisions.

Commitment to Efficiency

The mobilization for strategic planning was carried out in parallel with initiatives focused on the alignment of processes and tools aimed at the dissemination of the culture of efficiency. The synergies obtained from the incorporation of the best practices of each bank have already yielded R$ 1.1 billion for Santander, exceeding the initial estimate of R$ 800 million. General expenses were reduced by 5.1% from 2008 to 2009, resulting in a significant improvement in management indicators.

A significant part of this result was achieved by adopting the *Gestão Integral do Gasto* (GIG) model. The use of the SAP platform, a tool that integrates the activities for the drawing up and monitoring of budgets, the approval of costs, purchases and payments facilitated the monitoring of these processes. When it was introduced in April 2009, only 3% of contracts were using the platform. 70% of the processes were using it by the end of the year.

Santander's suppliers are selected and audited using a rating index (*Índice de Qualificação do Fornecedor* – IQF) that takes into consideration technical, administrative and financial criteria, in addition to social, environmental and corporate governance issues. The quality of services rendered began to be monitored by a performance index (*Índice de Desempenho do Fornecedor* -IDF which is currently in a pilot phase), the assessment criteria of which will continue to be improved in 2010.

Santander's cost control is based on a highly strict process, and any expense exceeding R$ 250,000 is assessed by a multidisciplinary committee. This practice ensures an aligned vision of the opportunities and synergies in the various areas.

A satisfied client = a more profitable client

Being efficient also means searching for synergies in client relationships, getting to know their needs closely and relying on resources for the support and development of routine daily and monthly activities, in addition to innovations that facilitate business management.

One example is the Assessment of Operational Quality (Avaliação de Qualidade Operacional -AQO), a systemic tool launched in the Santander network in 2007 and extended to the Banco Real network in 2009. This platform measures and guides the activities of the branch teams, rewarding good performance.

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In general terms, this tool rewards activities that are carried out correctly and points out those that are not, thereby ensuring the quality of operations. The tool uses 54 indicators, electronically ranking all the branches and other service centers that have been assessed and publishes the results on the intranet. The scoring system takes into account aspects related to client management, outstanding documents, faulty procedures and audits, to name a few. This enables gaps to be identified and dealt with, thereby minimizing risks and repeat work.

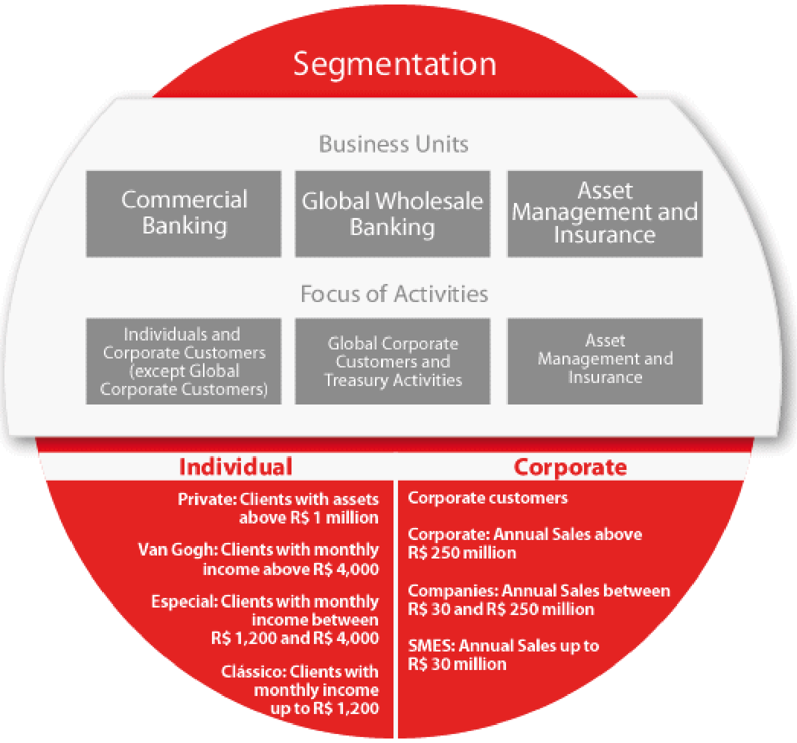
A commitment to profitability is also fundamental to achieving increased client satisfaction, and this has led to the development of a differentiated commercial tool, focused not on the products the bank has to offer, but on the people instead. The Portal de Relacionamento was launched throughout the branch network in the second half of 2009, and provides managers with a comprehensive overview of their clients.

This tool allows managers to make enquiries and analyze information, surveys and statistics on the profile of each client, which will contribute to a structured approach resulting in a long-term relationship, where the financial needs of the clients can be identified, generating short, medium and long-term business. All the information gathered is registered on the Portal de Relacionamento, which enables clients to be served in each phase of their lives. This new method of doing business is a result of the development of a business model that was put into effect across the branch network in December 2009.

Time to strengthen the foundations of business

The creation of an integrated retail business model and an attitude of working closely together with wholesale customers underline our commitment to the market.

Differentiated customer service, the fruit of the segmentation of the foundations of business and customers is the backbone of Santander's operating strategy in Brazil. Business is split into three main areas – Commercial Banking, Global Wholesale banking and Funds under Management, and operations are strengthened by team integration, ensuring the development of the best products and services, sustained by efficient, agile tools and processes.



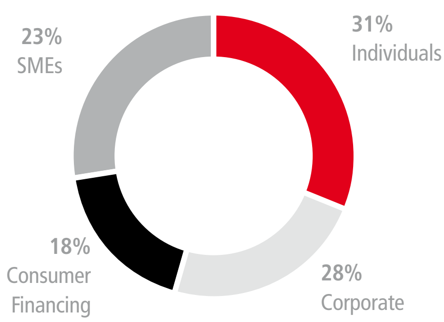
Business in 2009

The Santander credit portfolio grew 1.7% in 2009. This performance is partly explained by exchange rates affecting the portfolio in foreign currency. Disregarding this impact, growth was 5.4% higher than in 2008. Another decisive factor was the effect of the financial crisis on the corporate customer sector, which led Santander to adopt more conservative practices of credit extension.

Customer funding, including investment funds, totaled R$ 242.1 billion as of 31 December 2009, a 5.3% growth over 12 months. One of the highlights of the period was the area of savings accounts, with a 22.2% growth the twelve month period, totaling R$ 25.2 billion as of 31 December 2009. Investment funds also performed well, posting an increase of 22.4% compared to 2008.

Satisfactory liquidity levels, boosted by the October 2009 IPO, resulted in time deposits dropping 14.8%, particularly those of corporate customers.

Credit Portfolio
% - Dec/09



Commercial Banking

The year 2009 was marked by progress in the integration of the retail department sectors. In addition to the interconnection of all branch transactions, service centers and ATMs of the Santander and Banco Real networks, the bank focused on improving the segmentation of customers in the service channels. The idea is to facilitate the understanding of customers' needs in accordance with their habits, behavior and life projects, thereby increasing business opportunities.

To this purpose, investments were made in new tools, such as the creation of the *Portal de Relacionamento* and the introduction of the Customer Service Platform at Banco Real, already in use in the Santander network and through which it is already possible to sell insurance policies. In the future, all the bank's products will be available through this channel.

The new Self-Service and Teller Platform, which unites the best features from each bank and is available in both networks, is simplifying processes and reducing customer service times and the time taken to consult computers transactions and to be served by tellers. The new Santander Superlinha has made the telephone customer service more personalized and intelligent.

This whole process, based on the principle of uniting the best the two banks have to offer, has been carried out in a way that causes customers the least possible inconvenience, whilst pointing out the advantages and benefits of being a customer of a bank that intends to become the best in the country.

A new business model

During 2009, Santander worked on the creation of an integrated business model that resulted in the whole branch network operating in the same way, based on closer customer relations, efficiency, autonomy, people management and a balance between results, productivity and quality. The model – given the name *Vem ser!* – was put into effect in December. Launched at an event that attracted 3,600 managers from the Santander and Banco Real networks, the model is the result of the best practices of these two worlds.

Several network employees participated directly in the creation of Vem ser! The process for developing the model included eight work fronts, which carried out studies in relation to the business method and operations and customer service models at the branches, in addition to relationship channels. It also reviewed risk management, the organization of the networks and the practices of people management and incentives. The personnel involved in the project carried out 80 visits to branches and held 18 workshops.

All the branch managers participated in classroom and virtual training on the business model. Vem ser! is also present on the intranet, where employees are provided with details of the model and may suggest improvements or post comments. This work resulted in a business model made up of four fronts: Business Method, Incentive Model, Customer Service Model and Network Organization.

Main Achievements

2.1 million
new checking accounts

4.1 million
credit cards sold

R$ 1.86 billion
mortgage loans (R$ 1.7 billion for individuals and R$ 162 million to the Business segment)

R$ 10.6 billion
in working capital

5.2 million
insurance policies sold

R$ 3 billion
in net fundraising

R$ 1.4 billion
raised in pension funds

Santander

Santander

Engaging branch teams

Instructing, engaging and making employees aware of the need to incorporate sustainability into their daily routine are a full-time task. In October 2009, we launched the program Sustentabilidade em Ação to train those we began to call "mobilizers", people who disseminate the theme across the Santander and Banco Real branches all over Brazil. We trained approximately 160 employees personally, which are part of a network group of 2,401 mobilizers who will have the mission of multiplying the knowledge to their teams and the whole network throughout 2010, encouraging the adoption of sustainable practices and creating new business opportunities for the bank.

Despite being a challenging year, marked by a complex integration process and uncertainties regarding the economy, we knew that this was the right time to take advantage of the potential and capillarity of retail business and to prepare our teams for when the market has recovered. After all, there are around 30,000 employees working in the networks, serving more than ten million account holders and over 449,000 small and medium-sized companies on a daily basis.

The program also intends to create synergies with other initiatives, such as the *Espaço de Práticas em Sustentabilidade*, reinforcing the engagement of customers and building long-term relationships with the bank

Roger Ruann, superintendent for individual customers at Network III, had the opportunity to prove this during his series of business visits to Araras, upstate São Paulo. One of his missions was to retain the investments of Ademir Cláudio Buzzo, an individual customer who enjoyed a strictly business relationship with the bank. During the conversation Ademir commented on the performance of Archem Química, the company at which he is business director. According to him, the company's stand on sustainability resulted in a 3% increase in business in the crisis year itself. Roger grasped the opportunity to talk about our practices, and a new relationship was formed with the customer.

The synergy was immediate. The individual customer opened the company's doors to initiate a corporate customer relationship with the bank, starting with the payroll. In addition, the company invested in pension and investment funds. A relationship previously based on profitability alone blossomed into a relationship based on shared values. "We can create a better world and profit from lasting relationships with people who believe in the same ideals", he assesses. "Customers who believe in this idea become more loyal. This relationship will lead to better things for both us and the customer".

The value of good ideas

Creating a new bank combining the best of the two experiences goes beyond offering products from one bank to customers at the other. It is a matter of analyzing and identifying the good ideas that meet the different profiles and needs, improving them even more. The launch of *Santander Master* and *Realmaster* ainda melhor, in August 2009, was an evidence of how this commitment is being put into practice.

Banco Real customers were granted an overdraft facility with ten interest-free days per month, consecutive or otherwise. This concession ensured that in the case of unforeseen events, customers would have funds to manage or cover their expenses, or even to make withdrawals. Santander customers had the option of paying off the overdraft balance due in installments and at half the interest rate, maintaining overdraft facility limits to be used as they see fit.

Integration meant these successful experiences were now available in a single, new product, benefiting both Santander and Banco Real account holders. Since the launch, more than 92,000 customers from the two banks have loaned a total of R$ 264 million using the installment plan at half the interest rate.

The same thing happened with Santander Van Gogh, a service aimed exclusively at customers earning R$ 4,000 and above, who now enjoy access to a differentiated relationship model. The service, which was already in operation at Banco Real, was perfected on the integration of the two banks and is now based on the all-inclusive concept, offering customers a wide range of transactions and services. Both banks launched this product in 2009, together with the migration of Banco Real customers to this format.

Santander

Individual loans

Individual customer loans represented 31% of Santander's credit portfolio, 10.7% greater than in 2008 and reaching R$ 43.3 billion. The products registering the highest growth rates over the year were credit cards, payroll loans and mortage loans. This amount does not include consumer finance, which accounted for 18% of the portfolio. The vehicle sector was the most significant performer in this area.

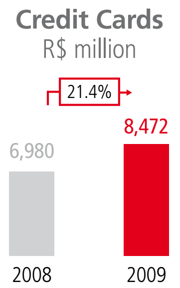
Credit Cards

Credit card operations registered an increase of 10% in terms of customers and 22% in terms of revenues. According to the Brazilian Association of Credit Card and Service Companies (Abecs), the credit card market posted an increase of 9% in terms of credit card base and 19% in terms of revenues. Santander's share in revenues also grew and the bank ended 2009 with 13.1% of the market share.

Credit card portfolio volume grew 21%, reaching R$ 8.5 billion in 2009. The growth of the Credit Cards Business is based on the strategy of increased market share, by means of product innovation, funding efforts and quality of services rendered.

One example is the offer, to both networks, of the Flex card, the main characteristic of which is to provide benefits to stabilize the financial situation of low and medium-income customers. Santander Van Gogh, a service aimed at high-income customers, incorporated the Santander Elite Platinum and Santander Style Platinum cards, increasing the value of what the sector has to offer and placing emphasis on customer relationships.

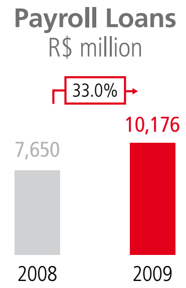
Another factor contributing to the expansion of the Credit Cards Business in 2009 was the focus on increasing the profitability of the card base, which occurred by means of the distribution of additional and associated products, such as insurance, financing products, pension funds and savings bonds (*capitalização*). This initiative resulted in the sale of more than 8 million products in the year.



Payroll loans

The payroll loan portfolio totaled R$ 10.2 billion for the year, a growth of 33% compared to 2008. R$ 8 billion of this amount are from our own portfolio and R$ 2.2 billion from portfolios ceded by other banks. This significant growth is due to regulatory changes that increased credit margins for pensioners under the INSS scheme.

The integration process allowed us to unify distribution, to increase business capillarity and to reduce sales costs, providing end customers with an even more competitive and differentiated offer. Synergies will also improve operational processes, providing new functionalities and creating speedier answers for market demands.

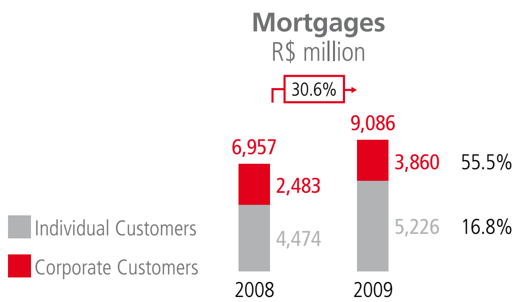


Mortgages

Leader in the private sector in terms of mortgage loan volume, with a 9% market share, Santander's portfolio for the year posted a growth of 31%, reaching R$ 9.1 billion as opposed to R$ 6.9 billion in 2008. There was also significant growth in terms of credit origination, around 81% in 4Q09 compared to the same period of the previous year.

During the year, the sector aligned the profile of the products aimed at individual and corporate customers, using the best of each bank in relation to deadlines and prices, in addition to matters of insurance and terms for loan application. Products that already existed at Santander, such as *Mais Conquista*, were extended to Banco Real, whose mortgage loan platforms were also adopted by the Santander network. These platforms facilitate the processes and relationships with customers and are managed by experts in mortgage loans, streamlining the loan application process.

In 2009, we launched *Webcasas*, a website for advertising property, providing products for real estate agents, customers, account holders and advertisers. The site is also open to the inclusion of projects sponsored by the bank and advertisements for other properties marketed by employees or customers using Santander's financing products.



Consumer Finance

The consumer finance portfolio posted an overall drop of 0.5% compared to 2008, but recovered 1.7% over the last quarter and ended 2009 with a balance of R$ 24.6 billion. This portfolio is managed by Aymoré Financiamentos, which revised its business model in 2009, prioritizing the profitability of market share. The acquisition of Banco Real was complementary to the pre-existing operations at Santander, by means of the financing company Olé, which held a relatively small part of the consumer financing market.

Aymoré's operations are focused on the financing of vehicles, which makes up around 80% of the business in the sector. The vehicle loan portfolio grew 2.8% in 2009 and ended the year accounting for 34.9% of Santander's individual loan portfolio, including consumer finance. This performance reflects the upturn in new vehicle sales, boosted by the reduction in IPI (Tax on Industrialized Products), one of the measures adopted by the government to boost domestic consumption during the crisis period.

In 2010, Aymoré intends to structure the segmentation of its offer of products and services in a differentiated manner, with emphasis on vehicles and in accordance with the needs of each customer.

Business

The portfolio of this area of business, aimed at small and medium-sized companies with annual sales of up to R$ 30 million, registered a slight drop over the year due to the financial crisis. Due to the adverse economic scenario throughout the year, more emphasis was put on the management of portfolios, especially on the realignment of credit facilities and renegotiation of assets. However, in the fourth quarter the sector began to show signs of recovery.

Activity in this sector in 2009 was marked by the integration of the offer of products. *Cheque Empresa Plus* and *Cobrança Compartilhada*, previously only available in the Banco Real network, were extended to the Santander network. *SuperGiro Premium* and *Folha de Pagamento On-Line*, both developed by Santander, were extended to Banco Real.

The synergies gained from integration resulted in the incorporation by Santander of the Corporate Nuclei, a differential created by Banco Real. These nuclei concentrate on relationships with businesses with annual sales between R$ 6 million and R$ 30 million, providing speedy and efficient customer service with the support of specialists in Credit and Cash. In turn, the Banco Real network will now include the corporate customer service + *Sócios do Santander* integrated service. Businesses with annual sales of up to R$ 1 million will have their corporate account and partners' individual accounts overseen by a single manager. Processes are simplified and customers benefit from greater practicality and convenience.

Support for entrepreneurs

In 2009, we launched the *Programa Santander Empreendedor*, which unites the best practices of both banks in support of projects of sustainability, education and innovation. We offer guidance, training and instruction in matters related to business management on the Portal Santander Empreendedor website: (www.santander.com.br/empreendedor).

To help companies safely plan and run their businesses, we have extended our *SuperGestão* software program, available to Santander customers since 2008, to Banco Real customers. The main benefits of this tool include the integrated management of business processes (billing, purchases, inventory and finances) and the control and management of the production process, facilitating the planning of business activities and decision making in the company.

Government & Institutions

This sector is structured to serve federal, state and local government companies and entities, as well as private organizations with sales of over R$ 30 million, particularly associations, schools and representatives from the healthcare sector.

In 2009, business with institutions grew 17%, underlining Santander's position as a leader in the healthcare sector, based on its activity along the whole length of the service chain. The bank's offer includes products and services not only for corporate customers such as hospitals, health insurance plans and diagnostics centers, but also for their doctors, employees and suppliers. Santander was the only bank invited to lecture on financing in the private healthcare sector in a scenario of economic crisis, at the biennial health convention held by the International Finance Corporation (IFC) in Washington, USA, evidencing Santander strong presence in the sector.

Activity with governments was marked by the reduced number of biddings for the acquisition of public servants' payrolls. The year saw Santander focusing on retaining current customers, reaffirming its attributes as a bank with wide experience in relationships with government organizations.

Agribusiness

The unification of customer policies and the customer service model resulted in R$ 2.1 billion in loans over the year. The network merger amplified the scope and potential of the sector.

The portfolio of products now enjoys the best of both networks. The *Cédula de Produto Rural* (CPR), previously available only at Santander, will be offered to Banco Real customers as soon as system integration is complete. Covenants with large companies, previously available only at Banco Real, are now available at Santander.

The monitoring of the agricultural scenario and the preventive assessment of the portfolio led to a reduction in default rates and to customer loyalty. For example, we analyzed the portfolios of customers involved in citriculture, cattle-raising and grain farming with the objective of anticipating possible occurrences and external factors such as climate, sanitary conditions and market that might interfere with the potential revenues of customers involved in these activities and who might need preventive support.

The bank also held strategic meetings with official regulatory agencies, entities representing agriculture players and competitors. All this made it possible to identify and discuss beforehand the proposals and governmental guidelines that could have a technological or operational impact on the portfolio, besides establishing precautionary measures.

Pacific co-existence

From 2006 to 2009, we presided over the Round Table on Responsible Soy, an international association comprising the key stakeholders of the soy value chain to promote the responsible production of soybeans. The debate includes delicate and controversial issues, such as the deforestation of the Amazon region. The idea is to create a market tool to guide the development, implementation and verification of a global standard for the sustainability of this crop.

The standard developed by the association is in experimental stage and should come into force in 2011. It prohibits the use of indigenous or slave labor, adverse working conditions and the inadequate handling of agro-chemical products in the cultivation of green soy. Furthermore, soy may not be grown in forest areas that have been deforested since May 2009.

We are also part of the *Grupo de Trabalho da Pecuária Sustentável* (GTPS), a forum composed of representatives from industry, cattle-raising associations, retailers, banks, NGOs, research centers and universities. As in the case of the soy round table, this initiative attempts to establish the social and environmental principles and criteria for the production and marketing of beef products. The group also proposes the creation of a system for tracking products and disseminating good production practices for the sector.

Santander Universidades

Santander Universidades is a global division whose main operations include supporting universities by means of partnerships in academic projects and offering specialized products and services. In order to turn its activities even more strategic, the *Plano de Apoio à Educação Superior* (PAES) was developed, which established global policies based on the most common and relevant issues to the academic community in four different areas: mobility, innovation and entrepreneurship, technology transfer and academic support. The scope of PAES includes more than 800 universities which have entered into covenants with Santander Universidades in 20 countries.

This business model reinforces Santander's value proposal for Brazilian universities, combining the best of both banks. With over 20 years market experience, *Real Universitário* has established itself as a financial advisor to university students and young professionals, offering products and services to both audiences. Whilst Banco Real concentrated on individual customers, Santander worked closer to corporate customers, providing ample support for higher education institutions. The merger enabled us to unify the two complementary concepts, potentializing our activities and further strengthening the bonds along the whole value chain.

The merger, in addition to unifying our whole range of products and services, also resulted in the creation of a new management model for this area of business, based on the specialization and greater segmentation of our teams. This enables us to direct customer service at each of the different types of customer profile: students, young professionals, professors, associates and higher education institutions, in federal, state and private spheres, all organized by region.

The bank has 358 service points available to the universities. In 2009, there was an increase in the university customer base, accompanied by an increase in demand for the *Santander Fit* credit card, especially developed to meet the needs of students, that includes features such as expenditure control and choice of credit limit focused on financial guidance. The *Cartão Universidade* (TUI), a global service Santander offers to partner education institutions, benefited 21 new universities in 2009. It is a secure and agile tool that combines academic and financial features. Its advanced technology includes more than 50 applications, and it can be used as a debit card, as an access card to the university campus or to libraries and as a pass on public transport, for example. To date, Santander has issued 950,000 cards at around 30 universities.

Santander Universidades grants more than three thousand scholarships a year through the covenants it holds with 326 higher education institutions. 3,175 scholarships were granted in 2009: 1,668 to domestic mobility programs, 507 to international mobility programs, research and social inclusion programs, in addition to a thousand Spanish language course scholarships.

3,175

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1,000

Spanish language course scholarships

Pisco Del Gaiso

Among these covenants, the bank renewed its partnership with *UNESP (Universidade Estadual Paulista Júlio de Mesquita Filho)* in 2009, which serves an academic community of 56,000 people in 23 cities. The new covenant will grant 4,800 scholarships for UNESP students and professors over the next four years, including other academic support initiatives. A new covenant of domestic mobility was closed with the *Associação Nacional dos Dirigentes das Instituições Federais de Ensino Superior (Andifes)*, which benefited 58 federal higher education institutions and led to the granting of 320 scholarships. The 75th anniversary celebrations of USP, which has been a partner institution of Santander Universidades since 2001, marked the launch of the *Rede Ibero-americana de Universidades de Pesquisa (RIDUP)*, which was supported by Santander Universidades.

2009 was the second year of the Babson College scholarship program. Four Brazilian universities held an entrepreneurship course in the United States, and three more professors were able to improve their knowledge on the subject. In turn, the Luso-Brazilian scholarship program celebrated its third year of existence, involving 185 students from 17 Brazilian state universities taking a six-month graduate course in Portugal. By the same token, 175 Portuguese students came to study at Brazilian universities for the same period of time.

The awards *Prêmio Santander de Empreendedorismo* and *Prêmio Santander de Ciência e Inovação* celebrated its fifth anniversary in 2009, setting a new record of participants: 2,116 projects enrolled, mobilizing 287 higher education institutions all over Brazil. In addition, a new category in Science and Innovation was created – health -, which resulted in the total prize money increasing to R$ 400,000. Another highlight was the *Top China Santander Universidades* program, which helped foster cultural exchange and strengthen bilateral relations between Brazil and China.

Divulgação Santander

Orient Express

The launch of the *Top China Santander Universidades* program in 2009 was a landmark not only for its cultural and academic relevance, but also for being the first initiative involving institutions of higher education to be jointly run by Santander and Banco Real. In partnership with Shanghai Jiao Tong University, we supported the development of a course on sustainability that benefited 40 graduate students and 11 Brazilian professors from 10 universities. They had the opportunity to participate in a three-week cultural exchange program involving 35 Chinese students, debating themes of global interest such as climate change, impact on the environment and Life Sciences.

One of the Brazilian participants was Eduardo Schalch, a graduate in administration at UNESP in the city of Jaboticabal in the state of São Paulo. He tells us that on returning from the exchange program he was interviewed for several trainee programs and realized that doors were being opened to him because of the trip. Eduardo successfully applied for a job at a multinational company in the food and beverages sector. "Your résumé is far stronger after having been in contact with the culture of an Asian country of such importance in global socio-economic terms, and learning about such relevant topics" he says.

Luis Coutinho, professor of Biotechnology at ESALQ/USP, reminds us that China invests heavily in technological research focused mainly on solutions for domestic problems such as water and food. "This makes us realize that Brazilian universities need to invest more in applied research". According to him, the Chinese showed avid interest in Brazilian initiatives in the biofuel sector. "The program contributed to the technical development of students and professors and enhanced the cultural knowledge and life experience gained by everybody who went on this trip", he stresses.

Other similar stories can be found on the blog created by the participants about their experiences in China, available at: http://www.santanderuniversidades.com.br/blogs/topchina. The second edition of the program has already been confirmed for 2010 with the participation of 25 institutions of higher education, increasing the number of students and professors who will benefit from the initiative.

Microcredit

In 2009, the area of microcredit registered the best performance since it was created in 2002 at Banco Real. Over 150,000 loans were granted, totaling around R$ 227 million for a portfolio of approximately 85,000 customers. The bank has 22 service centers in over 350 Brazilian cities. This performance may be explained by the increased demand for credit and other financial products for low-income customers.

Among the gains obtained from the merger of the banks is the migration of business to the Santander technological platform, which led to gains in the management and development of new products. 2009 also saw the microcredit sector active in the recovery of credit, in financial guidance for nonperforming customers and in work focused on efficiency gains.

The area of microcredit also strove to unite forces and seek synergies with other bank initiatives on sustainability and entrepreneurship. The objective is to jointly create and introduce innovative microfinance projects, that, besides credit offer other financial services to low-income customers, such as savings accounts, insurance and the transfer of values.

150,000

loans were granted from microcrédito in 2009

R$ 227 million

for a portifolio

22 service centers

in over 350 brazillian cities

Private Banking

Santander Private Banking offers financial consulting and asset management services to customers with large personal financial assets and strives to know their short and long-term objectives, needs and risk tolerance. The product portfolio includes investment funds, structured treasury transactions, pension funds, brokers, and credit, among others. In order to meet the needs of this audience, Santander attempts to develop a continuous partner relationship based on trust and technical knowledge, presenting solutions with high added value and compatible with the risk profile of the customers.

In 2009, the Private Banking departments of Santander and Banco Real were merged, making it possible to optimize the customer service platform and to make the offer of products and services seamless. The sector ended the year with assets under management of around R$ 27 billion and approximately 6,500 customer accounts.

Funds under management

Asset Management

In 2009, the area of Asset Management consolidated its position as the fourth largest third party funds manager in the country, with a portfolio of R$ 108.4 billion[1] , accounting for 7,5% of the market share of the funds industry in Brazil, according to ANBIMA - *Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais*.

In addition to surpassing R$ 100 billion of managed funds, Santander Asset Management was also voted the best manager of active share funds by the magazine *Exame* in a partnership with the *Fundação Getulio Vargas* in August 2009.

A further highlight was the area of Protected Capital Funds, which raised a total of R$ 1.6 billion, ensuring customers can invest in the stock market with no risk of losing capital. Funding in 2009 consolidated the area of Asset Management as the largest manager of protected capital funds in Brazil, with a 42% share of the whole fund market, according to ANBIMA.

After the merger, the Ethical Fund and *Santander Investimento Personalizado* were extended to the Van Gogh Santander services.

In 2009, the strategy of selling the management of Brazilian funds in other countries resulted in the expansion of our international operations. In addition, the area of Asset Management possesses fixed income and share funds based in Luxembourg and which are distributed in Chile, Mexico and Spain, and whose stockholder's equity increased by 386%.

Responsible investment

2009 saw the launch of *Florestas do Brasil*, a closed-end fund of 20 years' duration with the aim of offering customers options of sustainable investment in the forestry sector.

Another initiative that came to reinforce our activity in sustainable products was to offer Santander customers the Ethical Fund, launched by Banco Real in 2001, the first investment fund based on sustainable shares. The Ethical Fund has an Advisory Council made up of experts in sustainability.

Insurance, pension funds and capitalização

The integration of the business models was the main event in the insurance sector in 2009, one of the markets with the highest potential for gains from the merger. Insurance penetration at the Banco Real's customer base was low compared to Santander's, which provides opportunities for synergy gains with the implementation of best practices.

The systems for the sale and management of insurance policies were incorporated into a single platform, which enabled us to offer the Banco Real network a set of products that had only been on offer at the Santander network, and vice-versa. Examples of this are the *Seguro Prestamista Premiado*, *the Seguro Residencial Dose Dupla* and the *Seguro Auto Maxx*, whereby the bank offers customers estimates from three different partner insurance companies. As a result, 5.2 million insurance policies were sold in 2009, compared to 4.2 million in 2008.

Furthermore, Santander completed the purchase of 50% of the shares of *Real Seguros Vida e Previdência*, previously held by *Tokio Marine Seguradora*, and subject to the approval by SUSEP. These shares were simultaneously sold to Santander Seguros S.A.

Complementary pension fund reserves totaled R$ 14.5 billion for the year, an increase of 32.7% in balances and 45.7% in gross funding as compared to 2008. The period was marked by the consolidation of the offer of products linked to financial consulting services. The objective was to combine pension fund plans with other products, in order to provide customers with a portfolio to meet their short, medium and long-term needs. This strategy contributed to the balance of private pension funds in relation to the bank's balance of liabilities jumping from 12.7% in 2008 to 15.7% by the end of 2009.

The pension fund segment was aligned and certain pension fund products such as *Prev Educar, Prev Mulher* and *Prev BônusCard* were relaunched. New products were made available to savings bonds (*capitalização*) customers, such as *RealCap Turismo*, a product which complements the activities of the *Projeto Santander Turismo Sustentável* (Project for Sustainable Tourism). At the end of the year, Santander united the social undertaking by *Doutores da Alegria* and the *Grupo de Apoio ao Adolescente e Criança com Câncer* (GRAACC a support group for children and young people with Cancer) to the *Din Din* and *RealCap.*

The table below shows the market share of insurance pension funds and capitalization products on 31 December 2009[2].

Life insurance	5.7%
Personal accident insurance	7.5%
Loan protection insurance	19.8%
Residential	5.5%
Capitalization	9.0%
Pension fund	10.6%

Source: SUSEP and FenaPrevi.

[1] Includes 100% of Real Seguros Vida e Previdência results for the period.

Global Wholesale Banking

In 2009, Santander strived to operate in a partnership with its corporate customers, as they needed to refinance and postpone debt maturities during the international financial crisis. Meanwhile, the Bank completed the integration process of the Global Wholesale Banking teams while creating regional service teams and defining specialists in products and services for the different economic sectors.

Upon the integration, Global Wholesale Banking now relies on three customer service segments, i.e.: Business, Corporate and Santander Global Banking & Markets (GB&M). As the largest foreign bank with a strong presence in the country, the access to foreign markets is a differential offered by Santander and qualifies the Bank to be the preferred partner for its customers at a moment when the Brazilian economy is undergoing an internationalization process.

Companies

The Business segment serves local and multinational business with annual sales ranging from R$ 30 million to R$ 250 million. In 2009, the business in this segment was divided into two distinct periods, reflecting the development of the Brazilian economy.

While during the first half-year the effects of the international crisis was still felt in the market, and this led to the postponement of investment plans in corporations, in the second half-year the economy rebounded, resulting in a higher demand by customers for the Bank's products and services. Thus, by the end of the year, the Bank posted business volumes in line with the pre-crisis levels.

In 2009, the business integration process for the segment led to the expansion of service centers and to the reorganization of customer service, in such a way as to enhance and deepen the relationship with customers. At the same time, the development of new risk management processes and provisions for non-performing loans (NPL) proved itself to be efficient in the prevention and recovery of nonperforming customers.

Sustainable buildings

In 2009 we extended to the entire Santander network the *Obra Sustentável* (Sustainable Construction) Program, created by Banco Real in 2007, which promotes responsibility in social and environmental issues in the housing developments we finance. We encourage the adoption of practices that enhance economic efficiency while reducing the environmental impact and favor quality of life during phases such as building design, construction and use.

The project is one of the cornerstones of the Civil Construction Sustainability Program which includes initiatives to improve the engagement of this important economic sector by sharing our experiences and that of builders that have a business relationship with us as customers or suppliers.

We also prefer to finance sustainable building practices. In 2009 we created the line *Reforma para Acessibilidade* (Accessible Renovation), with focus on renovations in urban commercial buildings. As an example, the product is focused on building renewals to adapt it to new legal requirements such as new ramps, elevators in office buildings, hospitals, schools, hotels, stores and business centers. The goal is to help owners comply with the new legislation while promoting social inclusion through the adequacy of the facilities to meet the needs of disabled users.

Corporate

Businesses with annual revenues in excess of R$ 250 million are the focus of this Corporate segment at Santander. This market is comprised by approximately 1.2 thousand business groups which, upon the integration, rely on a platform of regional services, with teams operating in the main Brazilian cities, including relationship managers and product/services specialists.

In the beginning of 2009, most businesses in this segment still felt the impact from by the economic downturn, and this reduced the level of investment in assets and the demand for working capital. In this scenario, the business in the Bank was characterized by the caution in credit extension and management and by the conservation of portfolio value, with the review of maturities, enhanced collateral requirements and the adjustment of bank spreads.

In the second half-year with the positive economic outlook, corporate customers came back for loans and also for transactions in stock markets, especially in connection with debt and stock issuance. This has led to a growth in Wholesale by using the GB&M investment bank products and services platform, also available to Corporate customers.

Responsible Tourism

Despite the fast growth seen in the tourism industry worldwide, Brazil still lacks infrastructure, qualified labor and access to credit. All links in this value chain, from tourists to service providers, have special needs for financial products and services. This rich network of relationships is just the beginning in the search of opportunities for new sustainable businesses.

Santander Turismo Sustentável (the successor of *Turismo Real*) is an initiative for the sustainable development of Brazilian tourist destinations and for the awareness and education for responsible tourism. It promotes the integration and the convergence of action among governmental agencies, multilateral organizations, the private sector and the third sector.

In 2009, the initiative was enhanced by the launch of the program *CAP Turismo* – Training Youngsters for Tourism, at *Costa dos Coqueiros*, one of the main tourism regions in the state of Bahia. The project was developed by *RealCAP Turismo*, a title capitalization (long-term savings with prizes) which invests part of its revenues in the program, in a partnership with the International Trade Center (ITC), a UN agency focused on the generation of jobs and income for low income communities.

The first class of students, comprised by 30 youngsters, was selected in December 2009 and is being trained to work in hotels in the area under the coordination of *Instituto Imbassaí*, a civil organization that receives 50% of the first installment paid to *RealCap Turismo*. In 2009, more than 14 thousand title capitalization were sold and the amount donated to the institute was R$ 174 thousand.

The idea is to replicate the *Costa dos Coqueiros* model to other tourist destinations in Brazil, based on the experiences and competencies that were developed in the pilot project. Other Bank segments can also use the *Santander Turismo Sustentável* program as a tool to enhance customer relationships. As an example, during the first quarter of 2010 we launched a product/ service package for the inn/hotel segment in the southern cities of Gramado and Canela, both in Rio Grande do Sul, and in Porto de Galinhas, in the state of Pernambuco. The cities were chosen as pilots for a national program as they are included in the 65 destinations of the Federal Government National Tourism Program and also because they are part of the Santander and Banco Real branch network.

Due to the sum of our activities, in October 2009 we were invited to sit in the World Travel and Tourism Council (WTTC), a global forum comprised by key executives in the sector, including hotels, entertainment, recreation, transportation and other services in the tourism value chain. We are the first Bank in the world and the first company in Brazil to sit in the Council.

Santander Global Banking & Markets (GB&M)

The goal of Santander Global Banking & Markets (GB&M) is becoming the main financial partner for its customers by reviewing and offering the best deals for companies with global presence and revenues in excess of R$ 250 million, including a portfolio of special products. To that effect, GB&M combines conservative risk management and a profile as a multiple service bank in key world markets with a global relationship model that centralizes customer service in all countries where it operates.

In 2009, GB&M consolidated its global strength and its local operations by participating in key transactions taking place throughout the year, which shows its solidity and commitment with its customers even in a volatile, limited scenario.

Corporate & Investment Banking

GB&M had a strong presence in short term credit to large corporations in 2009. On the one side, this allowed customers to honor their financial commitments in times of trouble in the world markets and on the other the Bank increased its profits on the invested capital, due to bank spreads higher than usual.

However, the rapid response by Brazil to the global financial crisis allowed the Bank to engage into more profitable deals. Through an aggressive planning, the Bank signaled to its customers that it was ready to resume its stock market transactions while offering loans with longer maturities and regular bank spreads.

By the end of the year when corporations reported stronger balance sheets, GB&M had already become a strategic partner in the growth strategy of its customers by advising them in investment deals such as fixed income and variable income securities, especially in stock offers. In Mergers & Acquisitions, although in a soft market, the Bank assumed a leadership position in a number of deals that were taking place, according to the Thomson Reuters rank of December 10, 2009.

With these deals, GB&M became the leader in key market products and consolidated itself as one of the most prestigious investment banks in the country.

Empresas CMPC
Aquisição pela Empresas CMPC da unidade Guaiba da Aracruz Celulose e Papel
US$ 1.430.000.000
Assessor Financeiro Exclusivo da CMPC
Brasil 2009

VCP Votorantim
OPA de tag along para acionistas minoritários da Aracruz
Aracruz
R$ 236.602.333
Assessor Financeiro do Comprador
Brasil 2009

Usiminas
Aquisição da
Zamprogna
R$ 495.237.000
Assessor Financeiro Exclusivo do Comprador
Brasil 2009

Usiminas
Fusão dos negócios de distribuição e centros de serviços de aço controlados pela Usiminas
Assessor Financeiro Exclusivo da Usiminas
Brasil 2009

SantelisaVale
Fusão da SantelisaVale e LDC Bionergia
Assessor Financeiro da SantelisaVale
Brasil 2009

Anunciado em abril de 2009
TIM
Você sem fronteiras
Aquisição de 100% do capital social da Intelig por meio da incorporação pela TIM Participações S.A. de Holdco Part. Ltda.
Assessor Financeiro do Comprador
Brasil 2009

Bertin JBS
Fusão entre Bertin e JBS, criando a maior empresa de proteína animal do mundo
Assessor Financeiro Exclusivo da Bertin
Brasil 2009

Termogás
Aquisição das participações da El Paso Corporation na Termonorte, Termo O&M e Dutonorte
US$ 278.875.000
Assessor Financeiro do Comprador
Brasil 2009

BR Petrobras
Aquisição de 60% das ações da Petrobras Energia Perú S.A.
R$ 619.400.000
Assessor Financeiro do Comprador
Brasil 2009

Santander
Aquisição de 50% da Real Tokio Marine Vida e Previdência
R$ 678.000.000
Assessor Financeiro Exclusivo do Comprador
Brasil 2009

Terna Participações
Aquisição, pelo Banco Santander (Brasil) S.A., de participação de 8,4% na Terna Participações
R$ 389.414.200
Assessor Financeiro Exclusivo do Santander
Brasil 2009

The tombstones above are not translated to English.

Equities

In the brokerage market GB&M stood out in IPO transaction distribution such as Visanet and Santander in Brazil, and in stock market follow-ons and, as a result, it ranked first according to the Thomson Reuters rank published in November 2009. Santander was also # 1 in cash equity results in the completed deal category, with 15 deals closed in 2009.

In Equities Trade Derivatives (ETD), clearing services posted a strong growth in market share, jumping to 7.3% from 4.1%, which placed GB&M in the 3rd position (from 7th one year ago) in the number of net deals, according to the sum of positions of the Grupo Santander brokers in the BM&F rank.

In the custody area (with R$ 144 billion in assets as of December 2009) the Bank posted a 42% growth in revenues in 2009, which reflected the Bank's business efforts and synergies gained from integration.

ROSSI
Oferta de Ações
US$ 521.594.000
Joint Bookrunner
Brasil 2009

VisaNet agora é Cielo
Oferta de Ações - IPO
US$ 4.294.369.000
Joint Bookrunner
Brasil 2009

Santander
Oferta de Ações - IPO
US$ 7.518.655.000
Global Coordinator & Bookrunner
Brasil 2009

CETIP
Oferta de Ações - IPO
US$ 450.540.000
Joint Bookrunner
Brasil 2009

BRF
Oferta de Ações
US$ 2.779.091.000
Joint Bookrunner
Brasil 2009

Anhanguera Educacional
Oferta de Ações
US$ 373.241.000
Joint Bookrunner
Brasil 2009

Cyrela Brazil Realty
Oferta de Ações
US$ 681.871.000
Joint Bookrunner
Brasil 2009

Iguatemi Empresa de Shopping Centers SA
Oferta de Ações
US$ 239.818.000
Joint Bookrunner
Brasil 2009

Marfrig Group
Oferta de Ações
US$ 877.606.000
Joint Bookrunner
Brasil 2009

Direcional Engenharia
Oferta de Ações - IPO
US$ 159.739.000
Lead Bookrunner
Brasil 2009

BRMALLS
Oferta de Ações
US$ 432.325.000
Joint Bookrunner
Brasil 2009

VCP Votorantim
Tender Offer
US$ 136.124.492
Intermediary Institution
Brasil 2009

MRV Engenharia
Oferta de Ações
US$ 360.870.000
Joint Bookrunner
Brasil 2009

The tombstones above are not translated to English.

Credit Markets

Business in both local and international stock markets responded well to the global crisis and grew 186% in 2009 year-on-year. GB&M led key transactions in the year such as bonus issuances by Petrobras, Gerdau, Telemar, Odebrecht and TAM. For the third consecutive year the Bank was the leader in debt offer for Brazilian corporate issuers in foreign markets, according to the Bond Radar rank published in November 2009.

The structuring and placement of the Monsanto do Brasil Credit Right Investment Fund was a successful example of how GB&M creatively met customer demand in a year where the global economic crisis still prevailed. The Fund was a novel alternative for funding for the agribusiness giant via the securitization of its receivable portfolio.

In project finance, GB&M was among the leaders due to its role in some of the key transactions completed throughout the year such as the structuring of a loan package of approximately US$ 1.3 billion to support the investments in probes Norbe VIII and IX, by *Odebrecht Óleo e Gás*. This is the most significant project finance deal in the international debt market upon the American subprime crisis, which was granted the Deal of the Year 2009 award by Euromoney magazine.

Major infrastructure projects were developed throughout the year such as the continuity of highway concession programs by the federal and state government, mega hydro power plant projects at *Rio Madeira*, the Petrobras drilling probes tender proceedings and the wind power plant project tender proceedings by the government (see box on next page).

SantoAntônio Energia
Project Finance Facility
R$ 8,216,410,900
Financial Advisor & Lead Arranger
Brazil 2009

Votorantim
Voto-Votorantim Overseas Trading Operations V Ltd.
6.625% Notes due 2019
US$ 1,000,000,000
Joint Bookrunner
Brazil 2009

IOCHPE-MAXION
Acquisition Fumagalli
R$ 330,000,000
Joint Arranger
Brazil 2009

Termogás
Acquisition Termonorte
US$ 278,875,000
Sole Lead Arranger
Brazil 2009

cosan
CCL Finance Ltd.
9.500% Notes due 2014
US$ 350,000,000
Joint Lead Manager/Bookrunner
Brazil 2009

CART
Commercial Paper
R$ 400,000,000
Joint Lead Manager
Brazil 2009

ROTA DAS BANDEIRAS
Syndicated Bridge Loan
R$ 1,000,000,000
Mandated Lead Arranger
Brazil 2009

oi
Telemar Norte Leste S.A.
9.500% Notes due 2019
US$ 750,000,000
Joint Lead Manager/Bookrunner
Brazil 2009

ELEKTRO Energia que vem da gente
Debentures
R$ 300,000,000
Joint Lead Manager
Brazil 2009

GERDAU
Gerdau Holdings Inc.
7.000% Notes due 2020
US$ 1,250,000,000
Joint Lead Manager/Bookrunner
Brazil 2009

BR PETROBRAS
PIFCo - Petrobras International Finance Co.
5.750% Notes due 2020
6.875% Notes due 2040
US$ 4,000,000,000
Joint Lead Manager/Bookrunner
Brazil 2009

ODEBRECHT Drilling Services LLC
NORBE VIII & NORBE IX
US$ 1,344,000,000
Financial Advisor and Joint Lead Arranger
Brazil 2009

Federal Toll Road Concession
OHL Brasil
Commercial Paper
R$ 400,000,000
Mandated Lead Arranger & Lead Manager
Brazil 2009

VALE
Vale Overseas Ltd.
5.625% Notes due 2019
US$ 1,000,000,000
Joint Lead Manager/Bookrunner
Brazil 2009

Embratel
NIB A/B LOAN
US$ 200,000,000
Joint Lead Arranger
Brazil 2009

ODEBRECHT Engineering & Construction
Odebrecht Finance Ltd.
7.000% Notes due 2020
US$ 500,000,000
Joint Lead Manager/Bookrunner
Brazil 2009

The tombstones above are not translated to English.

Renewable energy at large

We are supporting the initiatives in connection with the development and supply of renewable energy in Brazil by contributing to the introduction of alternative, cleaner energy sources to the Brazilian matrix. In 2009, the Bank had a key role in the structuring of the financing for *Bons Ventos Geradora de Energia S/A*, with funds from BNB and BNDES. The company is in charge of implementing four wind farms in the coast of Ceará: Bons Ventos, Canoa Quebrada and Enacel, in Aracati, and Taíba-Albatroz, in Taíba, with rated power of 155 MW.

We also serve as advisors to *Renova Energia* in its wind energy offering strategy in the first wind energy auction sponsored by the Federal Government in December. Renova was the player with the highest sale of energy from 14 wind farms located in the state of Bahia, totaling 270 MW of rated power.

Global Transaction Banking

GB&M participated in key deals taking place in 2009. The performance deserved market recognition, which awarded Santander for the second consecutive year as the "Best International Trade Finance Bank in Brazil" and "Deal of the Year" in Brazil. These awards are granted by the Trade Finance Magazine, as a result of a survey among bank customers.

Other important deals included the purchase of payroll loan portfolios worth approximately R$ 2 billion, CDI disbursed transactions worth approximately R$ 7 billion and new disbursements in BNDES onlending transactions totaling approximately R$ 3.3 billion. In this last product we highlight the Exim (the Export Support and Finance Program) portfolio, representing approximately R$ 1 billion. For the second consecutive year, GB&M was also the market leader in post-shipping Exim BNDES transactions.

Cash management activities fared well in the growth of service volumes such as collection and settlements. Among the key initiatives in the year are the coordination of the *Débito Direto Autorizado* (DDA) project implementation and the launch of CISa – *Conexão Inteligente Santander*, which supports the exchange of files with customers. We also implemented new procedures for the Valuable Collection service thereby increasing the Bank's competitiveness and operational efficiency.

Rates

GB&M consolidated its local index hedge operations for long-term transactions, including developing markets in Brazil such as IGPM and TJLP. Taking advantage of its international market expertise the Bank also served as corporate advisor in the liability exposure hedging programs with interest rate indexes such as Libor and currencies such as the Euro.

In derivatives, the Bank doubled its market share, according to data published by Cetip. The transaction registry and control systems for the entire portfolio were updated to global versions thereby allowing gains of scale while enhancing local needs.

In the foreign exchange market, GB&M closed the year as the third largest bank in transaction volumes, according to data by the Brazilian Central Bank. Upon the integration, Santander added nine exchange rate regional offices outside of São Paulo, with services such as advice, exchange contract closing and transaction processing.

Equity Investments

The area was created at the end 2008 and is designed to make and monitor Santander's proprietary investments in businesses in its customer base. The area identifies, reviews and structures investment opportunities in search of attractive returns while offering Bank customers an alternative financial and strategic support.

In 2009 it reviewed more than 50 opportunities in a number of sectors resulting in investments and investment commitments of approximately R$ 675 million while defining a transaction pipeline for 2010. Among the investments made we highlight the acquisition jointly with *Cemig Geração e Transmissão S.A.*, of the *Terna Participações S.A.* ownership, through the *Fundo de Investimento em Participações Coliseu*; and the investment and participation in the structuring of *Crédito Corporativo Brasil – Fundo de Investimentos Creditórios*.

ECONOMIC AND FINANCIAL INFORMATION

Key Consolidated Data: Pro Forma IFRS
Per Segment: Pro Forma IFRS

Key Consolidated Data

Preliminary note

The following information is based on the consolidated results of Banco Santander (Brasil) S.A., prepared in accordance with the International Financial Reporting Standards (IFRS).

Following the acquisition of Banco Real in August 2008, the operating results of Banco Santander (Brasil) S.A. for the twelve months ended December 31, 2008 and 2009, "2008" and "2009" respectively, are not directly comparable. Therefore, in order to enable a more accurate analysis of the Bank's businesses, all figures in this performance report include the pro-forma information for the twelve months in 2008 as if Banco Real had been consolidated in January 2008.

SUMMARY OF FIGURES FOR THE PERIOD	2009	2008	Var. 2009x2008
INCOME (R$ million)			
Net interest income	22,167	19,231	15.3%
Net fees	6,238	5,866	6.3%
Allowance for loan losses	(10,520)	(7,240)	45.3%
Administrative and personnel expenses	(10,947)	(11,532)	-5.1%
Net profit	5,508	3,913	40.8%
BALANCE SHEET (R$ million)			
Total assets	315,973	294,190	7.4%
Securities	80,616	50,921	58.3%
Loan portfolio[1]	138,394	136,039	1.7%
Individuals	43,352	39,153	10.7%
Consumer financing	24,627	24,757	-0.5%
SMEs	32,417	34,289	-5.5%
Corporate	37,998	37,839	0.4%
Funding from Clients	143,672	149,534	-3.9%
Total equity	69,266	49,837	39.0%
Total equity excluding goodwill[2]	40,954	22,349	83.2%
PERFORMANCE INDICATORS (%)			
Return on shareholders' equity - annualized	9.8%	10.3%	-0.5 p.p.
Return on shareholders' equity excluding goodwill[2] - annualized	19.3%	16.8%	2.6 p.p.
Return on average asset - annualized	1.8%	1.5%	0.4 p.p.
Efficiency Ratio[3]	35.0%	44.1%	-9.1 p.p.
Recurrence[4]	57.0%	50.9%	6.1 p.p.
BIS ratio excluding goodwill[2]	25.6%	14.7%	10.9 p.p.
PORTFOLIO QUALITY INDICATORS (%)			
Delinquency[5] - IFRS	7.2%	5.7%	1.5 p.p.
Delinquency[6] (more than 90 days) - BR GAAP	5.9%	3.9%	2.0 p.p.
Delinquency[7] (more than 60 days) - BR GAAP	6.8%	5.0%	1.8 p.p.
Coverage ratio[8]	101.7%	105.8%	-4.1 p.p.
Other Data			
Assets under management - AUM (R$ million)	98,407	80,402	22.4%
Numbers of credit and debit cards (thousand)	33,337	29,743	12.1%
Branches	2,091	2,083	0.4%
PABs (mini branches)	1,502	1,503	-0.1%
ATMs	18,128	18,120	-0.1%
Total Customers (thousand)	22,240	20,918	6.3%
Total Active Account Holders[9] (thousand)	10,240	9,831	4.2%
Employees[10]	52,457	54,109	-3.1%

[1] Credit Portfolio (managerial).
[2] Goodwill from the acquisition of Banco Real and Real Seguros Vida e Previdência.
[3] Efficiency Ratio: General Expenses/Total Income. Efficiency Ratio, excluding Cayman Hedge for 12M08 and 12M09 would be: 43.1% and 36.3%.
[4] Net commissions / General expenses.
[5] Portfolio overdue by more than 90 days plus loans with high default risk / Credit Portfolio (managerial).
[6] Portfolio overdue by more than 90 days / Credit Portfolio BR GAAP.
[7] Portfolio overdue by more than 60 days / Credit Portfolio BR GAAP.
[8] Allowance for Loan Losses / Portfolio overdue by more than 90 days plus loans with high default risk.
[9] Customers with active accounts during a 30-day period according to the Brazilian Central Bank.
[10] Includes Banco Santander (Brazil) S.A., its subsidiaries consolidated in the balance sheet and certain subsidiaries of Banco Santander, S.A. (Spain) headquartered in Brazil. Excluding the subsidiaries of Banco Santander, S.A. (Spain), the figure was 51,241 employees.

Highlights of the period

Results

- **Banco Santander recorded net income of R$5,508 million in 2009,** an increase of 41% (R$1,595 million) over the R$ 3,913 million in 2008.
- Acceleration of net income growth: **Year-on-year variation 6M09/6M08: 13%; 9M09/9M08: 30% and 2009/2008: 41%.**
- 17.8 p.p. difference between year-on-year growth in total revenues (excluding the Cayman Hedge) and expenses in the twelvemonth period:

– Total revenues (excluding the Cayman hedge) **grew by 12.7% in twelve months**

– **General Expenses felt 5.1% in twelve months,** with the capture of synergies

Indicators

- Improvement in the **Management Indicators** in twelve months (12M09/12M08):
  - – Efficiency ratio[1]: 35.0% in 2009, down 9.1 p.p.
  - – Recurrence ratio[2]: 57.0% in December 2009, up 6.1 p.p.
  - – ROE[3]: 19.3% in 2009, up 2.6 p.p.
- **Sound Balance Sheet:**
  - – BIS Ratio[4]: 25.6% in December, up 10.9 p.p. in twelve months (2009/2008)
  - – Coverage: 102% in December, a 4.1 p.p. decline year over year

Balance Sheet

- **Total Assets of R$ 315,973 million,** an increase of 7.4% in twelve months
- **Credit to Customers** grew by 1.7% in twelve months to reach R$ 138,394 million
- **Savings deposits grew by 22.2% in twelve months,** to reach R$ 25,217 million
- **Total equity of R$ 40,954 million** (excluding goodwill[4] of R$ 28,312 million)

Santander Share

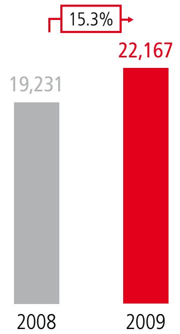
- BM&FBOVESPA Ticker: SANB11 (unit), SANB3 (common share), SANB4 (preferred share)
- NYSE Ticker: BSBR
  - – Market Value on 02/02/2009: R$ 92 billion
  - – Market Value on 02/02/2009: US$ 53 billion
  - – Free float (thousands): 399,044,177
  - – Net income[5] per 1,000 shares in 2009:

    Common Shares – R$ 15.32

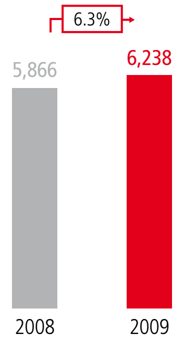
    Preferred Shares – R$ 16.85

[1] General Expenses / Total revenues.
[2] Net Fees / General Expenses.
[3] Net income / Average total equity. Excluding the Goodwill from the acquisition of Banco Real and Real Seguros Vida e Previdência.
[4] Excluding the Goodwill from the acquisition of Banco Real and Real Seguros Vida e Previdência.
[5] Net income weighted by average shares issued (in thousands).

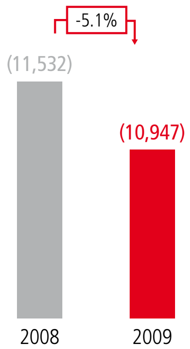
Net interest income
R$ million



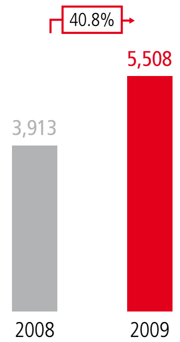
Net fees
R$ million



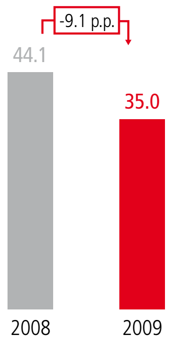
Administrative and personnel expenses
R$ million



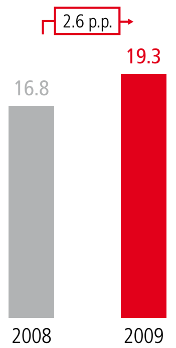
Net profit
R$ million



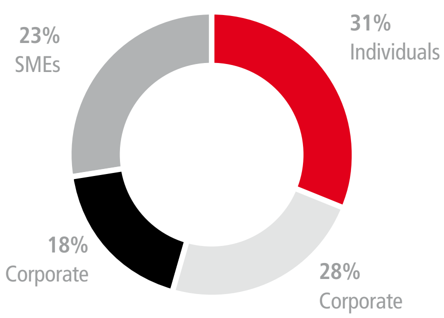
Efficiency Ratio[1]
%



Return on equity[2]
%



Credit Portfolio
% - Dec/09



[1] Excluding the Cayman Hedge for 2008 would be 43.1% and 36.3% respectively.
[2] Net profit divided by total equity, excluding goodwill.

Ratings

Santander is rated by international agencies and the ratings assigned reflect its op rating performance and the quality of its management.

Rating Agency		Long Term	Short Term
Fitch Ratings	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
Moody's	National Scale	Aaa.br	Br-1
	Local Currency	A2	P-1
	Foreign Currency	Baa3	P-3

Recent Events

Public Offering Of *Units*

The Board of Directors' meeting held on September 18, 2009 approved the Global Offering, which includes the issue of 525,000,000 Units, all registered shares, without par value, free and clear of any lien or encumbrances, each representing 55 common shares and 50 preferred shares, all registered with no par value, free and clear of any liens or encumbrances, consisting of the simultaneous initial public offering of (i) Units in Brazil (Brazilian Offering) in the over-the-counter market in accordance with CVM Instruction 400/2003, and (ii) Units outside of Brazil (International Offering), including in the form of ADRs representing ADSs registered with the U.S. Securities and Exchange Commission (SEC) under the U.S. Securities Act of 1933. Such meeting also approved the Bank's listing and the trading of Units (comprised common shares and preferred shares), in BM&FBOVESPA's Level 2 of Corporate Governance Practices.

On October 6, 2009, the Global Offering units were priced at R$23.50 per Unit. The Units are traded on the BM&FBOVESPA and the New York Stock Exchange (NYSE) since October 7, 2009.

On October 14, 2009 the Brazilian Central Bank ratified the capital increase in the amount of R$12.3 billion, related to the Global Offering of 525,000,000 units.

On October 29, 2009, the offering outlay was increased by 6.85%, or 35,955,648 Units due to the partial exercise of the over-allotment option in the international offering. The total capital increase amounted to R$13,182 million and issue costs of R$193.6 million were recorded to debit the account of capital reserves.

Acquisition of Santander Spain's Credit Portfolio

In 2009, the Bank acquired from Santander Spain through our Grand Cayman branch, in cumulative conditions, a portfolio of trade and export financing agreements related to transactions carried out with Brazilian clients or their affiliate companies abroad, in the amount of US$807 million in 3Q09 and US$1,170 million in 4Q09, totaling US$1,977 million in the year, the equivalent to R$3,442 million.

Disposal of assets no t related to our core businesses

On September 18, 2009, our Management decided to sell to Santusa, a Santander Group company headquartered in Spain, all the shares owned by the Bank in Companhia Brasileira de Meios de Pagamento – Visanet, Companhia Brasileira de Soluções e Serviços, Serasa S.A., Tecnologia Bancária S.A. and Visa Inc.

Allocation of Addition Al Funds to The Cayman Branch

On December 24, 2009, approval was given by Banco Santander (Brasil) S.A. to the allocation of an additional US$ 2,000,000,000.00 to the Cayman branch, whose capital rose from US$ 1,614,266,965.28 to US$ 3,614,266,965.28. The increase is to help Banco Santander's plans for the Cayman Branch to sustain the growth of assets, maturity of issues and lines, improve the branch's profile and structural liquidity and increase the volume of onlendings pursuant to Resolution No. 2770 of the Central Bank of Brazil.

Corporate Restructuring

The corporate restructuring will help unify operations and simplify the corporate structure of the Santander Group in Brazil, consequently reducing administrative costs, especially those related to legal and accounting obligations. Below is a summary of the Corporate Restructuring events that took place in 2009:

1/30/2009

- Merger of Cruzeiro Factoring Sociedade de Fomento Commercial Ltda. And Credicenter Empreendimentos e Promoções Ltda. into ABN AMRO Administradora de Cartões de Crédito Ltda.

2/27/2009

- Acquisition of 100% of the shares of Real Capitalização S.A., held by ABN AMRO Brasil Dois Participações S.A., by Santander Capitalização S.A..

3/19/2009

- Conclusion of the acquisition of 50% of the shares of Real Seguros Vida e Previdência S.A. (new corporate name of Real Tokio Marine Vida e Previdência S.A., which is currently under approval by Susep) held by Tokio Marine Seguradora S.A., by Banco Santander (Brasil) S.A. On the same date, Banco Santander (Brasil) S.A. sold the aforementioned shares to Santander Seguros S.A., as well as 100% of the shares of ABN AMRO Brasil Dois Participações S.A. (company that held 50% of Real Seguros Vida e Previdência S.A.) to Santander Seguros S.A.

4/30/2009

- Sudameris Distribuidora de Títulos e Valores Mobiliários S.A. merged into Banco ABN AMRO Real S.A. – approved by the Central Bank and under registry with the Commercial Registry Office (the Jucesp); and Banco ABN AMRO Real S.A. was merged into Banco Santander (Brasil) S.A. - under approval by the Central Bank; (only the first merger has received the approval of the Central Bank).

5/29/2009

- Merger of ABN AMRO Brasil Participações e Investimentos S.A. into ABN AMRO Administradora de Cartões de Crédito Ltda.

6/29/2009

- Sale of 51% of the shares of Fonet Brasil S.A., held by ABN AMRO Administradora de Cartões de Crédito Ltda. to Fonet Soluções de Telemática Ltda.

6/30/2009

- Sale of all investment held by Banco Santander (Brasil) S.A. in the capital of Diamond Finance Promotora de Vendas S.A., corresponding to 2,550 common shares, to Edure Administração, Participação e Representação Ltda. and PR Administração e Participações Ltda.

8/14/2009

- Merger of the shares of Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A., Santander Seguros S.A. and Banco Commercial e de Investimento Sudameris S.A. into Banco Santander (Brasil) S.A.

8/31/2009 –

- Spin-off of Santander Investimentos em Participações S.A., with transfer of assets to Santander Advisory Services S.A. and Banco Santander (Brasil) S.A., which is currently under approval by the Central Bank.
- Merger of Banco Commercial e de Investimento Sudameris S.A. and ABN AMRO Administradora de Cartões de Crédito Ltda. by Banco Santander (Brasil) S.A., which is currently under approval by the Central Bank.

9/30/2009

- Merger of Real Capitalização S.A. into Santander Capitalização
- Merger of Real Seguros Vida e Previdência S.A. (new corporate name of Real Tokio Marine Vida e Previdência S.A., which is under approval by Susep) and ABN AMRO Brasil Dois Participações S.A. into Santander Seguros S.A., which is under approval by Susep.
- Merger of ABN AMRO Arrendamento Mercantil S.A. into Santander Leasing S.A. Arrendamento Mercantil.
- Partial spin-off of Santander Corretora de Câmbio e Valores Mobiliários S.A. with transfer of part of its net equity to Santander S.A. Corretora de Câmbio e Títulos, which is under approval by the Central Bank.
- Merger of Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários into Santander S.A. Corretora de Câmbio e Títulos, which is under approval by the Central Bank.

10/30/2009

- Merger of Instituto Cultural Banco Real into Santander Cultural.

11/30/2009

- Merger of Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda. into Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A., which is under approval by the Central Bank.
- Merger of Santander Brasil Arrendamento Mercantil S.A. into Santander Leasing S.A. Arrendamento Mercantil, which is under approval by the Central Bank.

12/1/2009

- Sale of 99% of the shares of REB Empreendimentos e Administradora de Bens S.A., held by Banco Santander (Brasil) S.A., to Capital Riesgo Global, SCR de Régimen Simplificado, S.A.

Subsequent Events

a) Getnet Association

On January 14, 2010, Banco Santander executed the contract and corporate instruments with Getnet Tecnologia em Captura e Processamento de Transações Eletrônicas Hua Ltda. (Getnet) to, jointly, operate, develop and offer, in the Brazilian Market, services to capture and process credit and/or debit cards transactions.

b) Early redemption of Subordinated CDB (Bank Deposit Certificate)

On January 22, 2010, the Bank carried out the early redemption of a Subordinated Bank Deposit Certificate issued by Banco Santander, S.A. (Spain), with original maturity on March 25, 2019, in the amount of R$1,507,000, pursuant to an authorization granted by the Central Bank of Brazil on January 8, 2010.

The early redemption had the intention to improve the Bank's funding structure.

Executive Summary

The year 2009 was full of achievements for Santander in Brazil. Besides holding the largest public share offering in Brazil, it was the first year we operated jointly as Banco Santander and Banco Real. With this merger, we got the opportunity to seek, over the course of 2009, for the best practices in each bank in order to meet our client needs in the most effective way.

Santander recorded net income of R$ 5,508 million in 2009, 40.8% increase compared to 2008. The growth is even higher than the 30.3% growth between the first nine months of 2009 and 2008.

Total equity in December reached R$ 40,954 million, excluding the R$ 28,312 million related to the goodwill on the acquisition of Banco Real and Real Seguros Vida e Previdência. Average return on equity adjusted for goodwill was 19.3%, a 2.6 p.p. increase compared to the same period of 2008.

We highlight the evolution of net interest income during the year, which was 15.3% in twelve months (or R$2,936 million), mainly due to the 12.4% growth in the average credit volume in the period.

Another highlight is the 5.1% decline in general expenses, largely due to the synergies obtained from retaining the best practices of each bank.

The performance indictators show positive evolution:

Performance Indicators: the Cost/Income Ratio in 2009 reached 35.0%, a 9.1 p.p. drop from 2008. Recurrence Ratio (net commissions / general expenses) was 57.0%, up 6.1 p.p. in twelve months, and ROE (adjusted for goodwill) rose by 2.6 p.p to reach 19.3%

Sound Balance Sheet: The BIS ratio came to 25.6% in December, 10.9 p.p. up in twelve months. The coverage ratio was 102% at the year end.

The credit porfolio grew by 1.7% in twelve months, resulting, on the one hand, from the lower credit demand from companies and, on the other, by the foreign exchange variation, which affected our foreign currency portfolio.

In Q42009, there was an acceleration in growth as compared to the average growth rates of the other three quarters.

Credit growth was led by loans to individuals, which grew 10.7% in twelve months to reach R$ 43,352 million in December 2009. The growth drivers were credit cards, payroll loans and real mortgage loans.

Total clients deposits[1] in 2009, including investment funds, came to R$242,079 million, a 5.3% increase over 2008, led by savings deposits (22.2% up) and investment funds (22.4% up).

[1] Iincludes savings, demand deposits, time deposits, debentures, LCA and LCI.

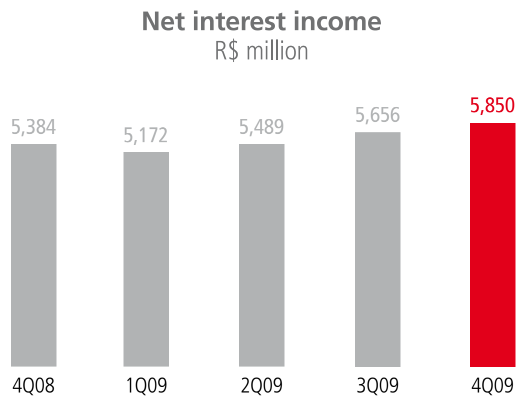
Santander's Results in Brazil

Income Statement

Income Statements (R$ Million)	2009	2008	Var 2009x2008
Net Interest Income	22,167	19,231	15.3%
Income from equity instruments	30	39	-23.1%
Share of results of entities accounted for using the equity method	295	305	-3.3%
Net fees	6,238	5,866	6.3%
Fee and commission income	7,148	6,849	4.4%
Fee and commision expense	(910)	(983)	-7.4%
Gains (losses) on financial assets and liabilities (net) + exchange differences (net)	2,665	777	243.0%
Other operating income (expenses)	(116)	(75)	54.7%
Total income	**31,279**	**26,143**	**19.6%**
General expenses	(10,947)	(11,532)	-5.1%
Administrative expenses	(5,436)	(5,858)	-7.2%
Personnel expenses	(5,511)	(5,674)	-2.9%
Depreciation and amortization	(1,249)	(1,236)	1.1%
Provisions (net)[1]	(3,481)	(1,702)	104.5%
Losses on assets (net)	(10,868)	(6,665)	63.3%
Allowance for loan losses[2]	(9,983)	(6,573)	51.9%
Losses on other financial assets (net)	(885)	(82)	n.a.
Net gains on disposal of assets	3,403	54	n.a.
Net profit before tax	**8,137**	**5,072**	**60.4%**
Income tax	(2,629)	(1,159)	126.8%
Net profit	**5,508**	**3,913**	**40.8%**

[1] Includes provisions for civil, labor and others litigations.
[2] Includes recoveries of loans previously written off.

Net interest income in 2009 reached R$ 22,167 million, an increase of 15.3% or R$ 2,936 million compared to R$ 19,231 million in the same period last year. The increase was mainly driven by the 12.4% growth in the average credit volume in twelve months.



NET INTEREST INCOME (R$ million)	2009	2008	Var 2009x2008
Credit	**16,880**	**14,382**	**13.8%**
Average Volume	133,878	119,157	12.4%
Spread	12.6%	12.4%	0.2%
Deposits	**921**	**1,007**	**-8.5%**
Average Volume[1]	103,319	98,323	5.1%
Spread	0.9%	1.0%	-0.1%
Non-interest bearing liabilities and others	**4,366**	**3,392**	**28.7%**
Total net interest income	**22,167**	**19,231**	**15.3%**

Gains (losses) on financial assets and liabilities (net) +Exchange Differences

Gains (losses) on financial assets and liabilities (net) plus exchange differences totaled R$2,665 million in 2009, an increase of 243.0% (R$1,888 million) over the R$777 million in 2008.

This increase is chiefly due to the R$ 1,146 million gain related to the hedging activities of the Cayman branch's equity foreign exchange exposure, against a R$600 million loss in 2008.

This strategy is used to mitigate the exchange rate variation effects of offshore investments on net income. The gain of R$1,146 million was offset by losses of aproximatedly the same amount recorded in taxes.

Gains (Losses) on Financial Assets And Liabilities (Net) (R$ Million)	2009	2008	Var 2009x2008
Total	**2,665**	**777**	**243.0%**
Hedge Cayman	1,146	(600)	n.a.
Total excluding Cayman Hedge	**1,519**	**1,377**	**10.3%**

[1]Includes demand deposits, saving deposits and time deposits.

Net Fees

Net fees totaled R$6,238 million in 2009, a 6.3% increase over 2008. The year 2009 was marked by a stricter regulatory environment than in 2008, when a few banking fees were curbed and Banco Santander carried out an alignment of fees between Banco Real and Santander. The line that was most affected by these events was banking fees, which rose by 3.4% in twelve months.

Fees from insurance and capitalization (also called savings bonds) were the highlights of 2009, growing by 23.4% in twelve months, mainly due to new products offering in the Real branch network, such as car insurance, housing insurance and loan protection insurance.

Revenues from credit cards grew substantially, mainly due to the expansion of the client base and the higher penetration of related products, in addition to the seasonal effect on the business. The acquisition of Banco Real brought to Santander oportunities to cross sell products and roll out best practices.

Capital market commissions grew by 30.6% in the year, mainly due to the increase on fees on large transactions with wholesale banking clients and on Santander's public shares offering.

Net fees (R$ million)	2009	2008	Var 2009x2008
Banking Fees	2,458	2,376	3.4%
Insurance and Capitalization	1,042	844	23.4%
Asset Management	737	830	-11.2%
Credit and Debit Cards	746	635	17.5%
Receiving services	502	442	13.5%
Collection	388	329	17.9%
Bills, taxes and fees	114	113	0.7%
Capital markets	539	413	30.6%
Foreign trade	384	397	-3.2%
Others[1]	(171)	(72)	136.5%
Total	**6,238**	**5,866**	**6.3%**

[1] Includes taxes and others

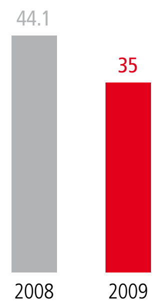
General Expenses

General expenses (administrative + personnel) totaled R$10,947 million in 2009, down 5.1% (or R$585 million) from R$11,532 million in 2008. The reduction is mainly due to the synergies resulting from the incorporation of Banco Real by Banco Santander, which over the last 12 months have amounted R$1.1 billion.

In 2009, administrative and personnel expenses fell 7.2% and 2.9%, respectively, from 2008. Administrative expenses reached R$5,436 million and personnel expenses R$5,511 million in the period.

As a result, the efficiency ratio (general expenses divided by total revenue) decreased from 44.1% in 2008, to 35.0% in 2009, an improvement of 9.1 p. p. in the period.

Efficiency Ratio
%



Administrative Expenses (R$ million)	2009	2008	Var 2009x2008
Specialized third-party technical services	1,449	1,450	-0.1%
Property maintenance and conservation	1,043	888	17.5%
Data processing	898	1,049	-14.4%
Advertising, promotions and publicity	497	613	-18.9%
Communications	613	806	-23.9%
Transport and travel	168	180	-6.7%
Security and surveillance	469	492	-4.7%
Others	299	380	-21.3%
Total	**5,436**	**5,858**	**-7.2%**

Personnel Expenses (R$ million)	2009	2008	Var 2009x2008
Salaries	3,364	3,571	-5.8%
Social security and pension plans	971	944	2.9%
Benefits	749	678	10.5%
Training	88	85	3.5%
Others	339	396	-14.4%
Total	**5,511**	**5,674**	**-2.9%**

Allowance for loan losses

Allowance for loan losses amounted to R$10,520 million in 2009, 45.3% up on 2008.

With the international financial crisis, which impacted Brazil since the end of 2008, we noticed an increase in non-performing loans, especially from small and medium companies.

In response to the crisis, we made adjustments in our policies and strategies to maintain the levels of risks that are compatible with the risk management profile of the Santander Group, with policies and strategies customized for each of our business segments.

From the fourth quarter of 2008, Banco Real's credit policies were progressively aligned to Banco Santander's, which impacted the allowance for loan losses in the fourth quarter of 2008 and the first quarter of 2009.

The allowances increased until the third quarter of 2009. In the fourth quarter, however, they fell 26.6% from the previous quarter, mainly due to a campaign held at the end of the year for settlement of portfolio in arrears until 90 days and shows the beginning of a credit quality recovery cycle.

Result of Allowance for Loan Losses (R$ million)	2009	2008	Var 2009x2008
Expense for allowance for loan losses	(10,502)	(7,240)	45.3%
Income from recovery of credit written off as loss	538	667	-19.4%
Total	**(9,983)**	**(6,573)**	**51.9%**

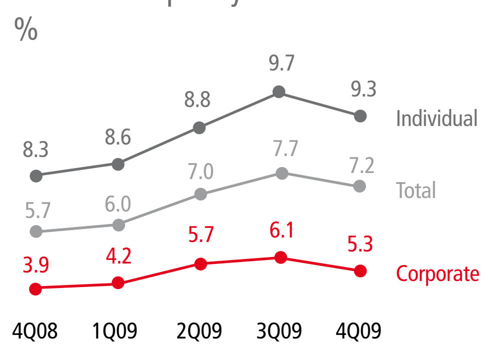
Delinquency Ratio in IFRS (over 90 days)

Due to the impact of the global economic crisis on the Brazilian economy, the delinquency rate (portfolio overdue by more than 90 days plus loans with high risk of delinquency) grew from 5.7% in December 2008 to 7.7% in 3Q2009. In 4Q delinquency rates changed trends and declined to 7.2% in December 2009, signaling the beginning of an improved cycle in the credit portfolio.

The delinquency behavior in corporate and individual loan segments throughout 2009 showed the same pattern set out in the above paragraph. However the range of movements in the corporate segment was sharper. The decline in rates as of the 3Q2009 was 2.2 p.p. in corporate loans and 1.4 p.p. in individual loans. On the other hand, the speed of recovery of 4Q2009 indicators was higher for corporate loans than individual loans: 0.8 p.p. and 0.4 p.p., respectively.

For a better comparison of our indicators with the local market we also show data based in BR GAAP figures.

Delinquency[1] – IFRS



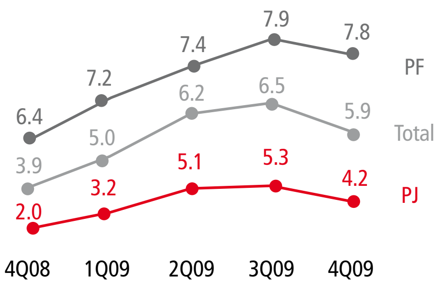
[1] Portfolio overdue by more than 90 days plus loans with high default risk / credit portfolio.

Delinquency Ratio in BR GAAP (over 90 days)

First of all we note that the delinquency rate metric in IFRS is more conservative than that of BR GAAP. Although both metrics use the same reference period to determine loans overdue (90 days) there are other differences in criteria that explain the fact that the IFRS metric is consistently higher than the BR GAAP metrics. Whilst the IFRS delinquency rate represented 7.2% of the total portfolio in December 2009, the BR GAAP delinquency rate was 5.9% on the same date. Only the BR GAAP delinquency rate is comparable with the delinquency rates disclosed by other Brazilian banks.

Although at different levels, the behavior of both IFRS and BR GAAP delinquency rates throughout time are rather similar: a) in both cases delinquency peaks took place in the 3Q; b) the range of movements was higher in corporate loans than in individual loans.

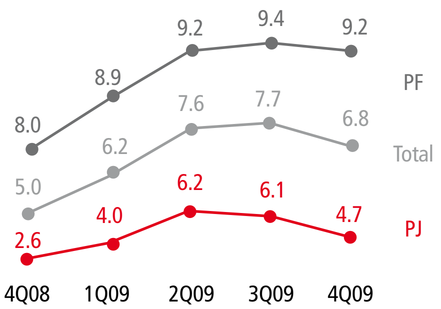
Delinquency[1] – BR GAA P (over 90)



Non-Performing Loans (over 60 days in BR GAAP)

Nonperforming loans reached 6.8% in the fourth quarter of 2009. Throughout the year 2009, we observed a deterioration in the quality of the loan portfolio, which suffered impact of the financial crisis. After four quarters of growth, the indicator improved in 4Q09, declining 0.9 p.p. from the previous quarter.

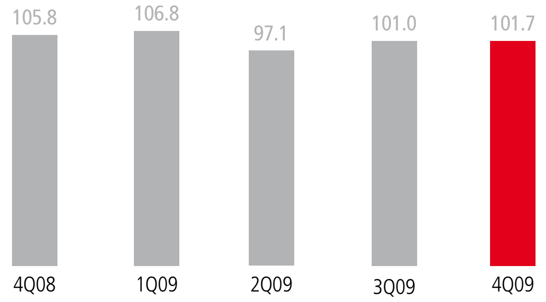
NPL[2] – BR GAAP



Coverage Ratio (IFRS)

The coverage ratio is obtained by dividing the allowance for loan losses by loans overdue more than 90 days plus performing loans with high delinquency risk. In December 2009, the indicator reached 102%, a 4 p.p. decline year-over-year.

Coverage – IFRS
%



[1]Portfolio overdue by more than 90 days / Credit Portfolio BR GAAP.
[2]Portfolio overdue by more than 60 days / Credit Portfolio BR GAAP.

Provisions (Net)

Provisions mainly include provisions for civil, labor and others litigations, in addition to expenses with operational and commercial integration (restructuring fund). This fund has been constituted using proceeds from the divestment of certain equity holdings in the third quarter of 2009, which we mentioned previously.

Provisions (net) totaled R$3,481 million in 2009, 105% (R$1.8 billion) more than the 2008 amount of R$1,702 million, mainly due to the additional allocation to the restructuring fund.

Provisions (R$ million)	2009	2008	Var 2009x2008
Provisions[1]	(1,751)	(1,739)	0.7%
Contingencies	(1,729)	37	n.a.
Total	**(3,481)**	**(1,702)**	**104.5%**

Taxes

Tax expenses include mainly two components: income tax and social contribution. Income tax is calculated at a rate of 15% plus an additional rate of 10% on taxable income exceeding R$240,000 per year.

Social contribution is calculated at a rate of 15% on adjusted net income (for financial institutions) (9% from January 1 to April 30, 2008). Deferred taxes on assets and liabilities are calculated based on the temporary differences between booked income and taxable income (temporary differences), tax losses and adjustments to fair value of securities and derivatives. In addition, we pay PIS and COFINS at 4.65% on certain revenues, net of certain expenses.

Under IFRS, since PIS and COFINS taxes are assessed on the basis of certain revenues net of certain expenses, they are classified as income taxes.

In 2009, an increase of 126.8% in the tax line, compared to the same period last year, can be explained mainly by the effect of the foreign exchange hedge.

The increased taxes resulting from the Group's higher income were compensated by the tax gains on the goodwill from Banco Real.

[1] Includes provisions for civil, labor and others litigations.

Balance Sheet

Assets (R$ milion)	2009	2008	Var 2009x2008
Cash and balances with the Brazilian Central Bank	27,269	23,701	15.1%
Financial assets held for trading	20,116	19,986	0.7%
Other financial assets at fair value through profit or loss	16,294	5,575	192.3%
- Loans and advances to credit institutions	1,907	4,047	-52.9%
- Loans and advances to customers	389	1,435	-72.9%
- Others	211	93	126.9%
- Equity Instruments	13,787	-	n.a.
Available-for-sale financial assets	46,406	30,736	51.0%
Loans and receivables	152,163	162,725	-6.5%
- Loans and advances to credit institutions	24,228	26,692	-18.4%
- Loans and advances to customers	138,005	141,214	-2.3%
- Allowances for credit losses	(10,070)	(8,181)	23.1%
Tangible assets	3,702	3,829	-3.3%
Intangible assets	31,618	30,995	2.0%
- Goodwill	28,312	27,488	3.0%
- Others	3,306	3,507	-5.7%
Tax assets	15,779	12,920	22.1%
Other assets	2,626	3,723	-29.5%
Total assets	**315,973**	**294,190**	**7.4%**

Liabilities (R$ million)	2009	2008	Var 2009x2008
Financial liabilities held for trading	4,435	11,210	-60.4%
Financial liabilities at amortized cost	203,567	213,974	-4.9%
- Deposits from the Brazilian Central Bank	240	185	29.7%
- Deposits from credit institutions	20,956	26,326	-20.4%
- Customer deposits	149,440	155,495	-3.9%
- Marketable debt securities	11,439	12,086	-5.4%
- Subordinated liabilities	11,304	9,197	22.9%
- Other financial liabilities	10,188	10,685	-4.7%
Insurance contracts	15,527	-	n.a.
Provisions[2]	9,480	8,915	6.3%
Tax liabilities	9,457	6,156	53.6%
Other liabilities	4,241	4,098	3.5%
Total liabilities	**246,707**	**244,353**	**1.0%**
Total Equity[3]	69,266	49,837	39.0%
Total liabilities and equity	**315,973**	**294,190**	**7.4%**

Total assets stood at R$ 315,973 million on December 31, 2009, an increase of 7.4% up on previous year. The credit portfolio amounted to R$ 138,394 million, whereas the security portfolio equalled to R$ 80,616 million, mainly government securities

The R$21,781 million growth in total assets is mainly due to the incorporation of the insurance company, reflected mainly in "Other financial assets at fair value through profit or loss" and "Liabilities for insurance contracts".

[1] Under Brazilian income tax rules, gains (losses) resulting from the impact of changes in the BRL_USD exchange rate on our dollar denominated investments in Cayman are not taxeble (tax deductible). This tax treatment leads to foreign exchange rate exposure in the tax line. A hedging portifolio, comprised of derivatives, is set up in such a way that the net profit is insensitive to this tax related foreign exchange exposure. Though, our effective tax rate is still impacted by foreign exchange movements.
[2] Provisions for pensions and contingent liabilities.
[3] Includes minority interest and adjustment to market value.

Securities (R$ million)	2009	2008	Var 2009x2008
Public securities	54,495	37,493	45.3%
Private securities	7,221	4,027	79.3%
PGBL / VGBL pension fund quotas	13,787	-	n.a.
Financial instruments	5,113	9,401	-45.6%
Total	**80,616**	**50,921**	**58.3%**

Credit Portfolio

The credit portfolio grew 1.7% in twelve months, totaling R$ 138.4 billion. The appreciation of the Real against the Dollar significantly impacted our credit portfolio during the year. Without this impact, credit grew 5.4% year-on-year. Moreover, under IFRS, the credit portfolio does not include the acquisition of portfolio with joint liability. Including the acquisition, the year-on-year credit growth (without the foreign exchange effect) is 6.7%.

In 2009, we acquired the amount of US$ 1,977 million loan portfolio through our office in Cayman, which US$ 807 million in the third quarter and US$ 1,170 million in the fourth quarter of 2009.

The year 2009 was marked by the financial crisis, which affectedmainly the corporate segment. Faced with this adverse scenario, Santander has adopted more conservative credit policies.

Breakdown of credit to clients (R$ million)	2009	2008	Var 2009x2008
Individuals	43,352	39,153	10.7%
Consumer financing	24,627	24,757	-0.5%
SMEs	32,417	34,289	-5.5%
Corporate	37,998	37,839	0.4%
Total	**138,394**	**136,039**	**1.7%**
Total guarantees	20,967	25,405	-17.5%
Total credit with guarantees	**159,361**	**161,444**	**-1.3%**

Loans to individuals

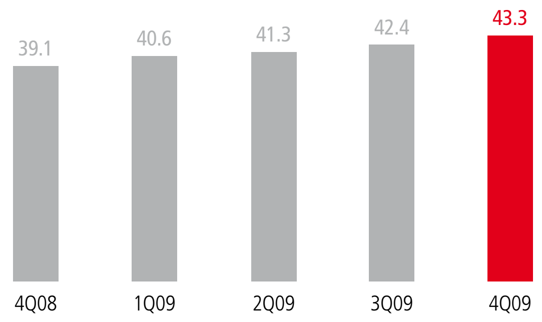
In December 2009, loans to individuals increased 10.7% in twelve months to reach R$ 43,352 million. The growth was mainly driven by credit cards, payroll and mortgage loans.

The volume of credit cards grew 21.4% in twelve months reaching 8,472 million in 2009. The sustained growth of this product was driven by the strategy to increase market share and profitability through product innovation and aggressive client acquisition efforts. The growth in the quarter was mainly due to the seasonal revenue effect and the expansion of the client base.

The payroll loan portfolio grew 33.0% in twelve months to R$ 10,176 million at the end of December 2009. Of this, R$7,956 million was originated by Santander itself and R$2,220 million was purchased from other banks (which is not accounted as credit portfolio).

Mortgage loans grew 16.8% in twelve months reaching R$ 5,226 million. In 2009, we implemented the mortgage platforms for individuals and corporate in Santander's network. The platforms, already in operation at Banco Real, facilitate the process and relations with clients and have support of mortgage lending specialists, who assist the sales force in order to speed up the lending process.

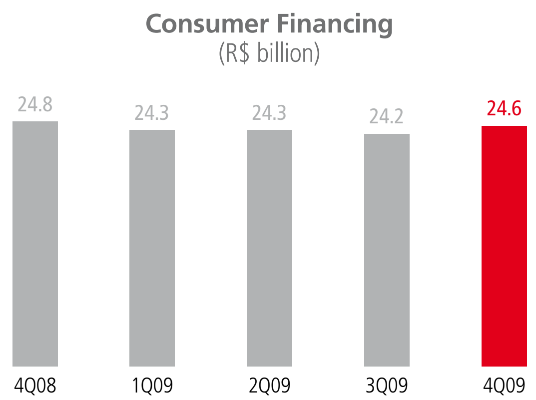
Individuals
(R$ billion)



Consumer Finance

The consumer finance portfolio fell by 0.5% in the year reaching R$ 24,627 million in December 2009. The performance can be explained by the review of the business model, which prioritizes the profitability to market share. We note that in the 4Q2009 we saw growth in this segment resume.

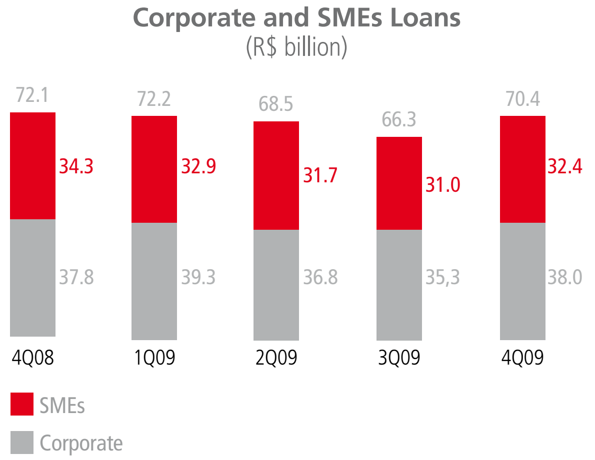
This portfolio is managed by Aymoré Crédito, Financiamento e Investimento S.A., a financial institution specialized in granting loans directly to consumers or through correspondents, whose main business is the financing vehicle, which represents approximately 80% of the total portfolio. The acquisition of Banco Real complemented Santander's operations, which had a relatively small share in the consumer financing market.



Corporate Loans

Loans to large companies totaled R$ 37,998 million, an increase of 0.4% in the year. The appreciation of the BRL versus the USD in 2009 had a significant impact on the performance of this portfolio.

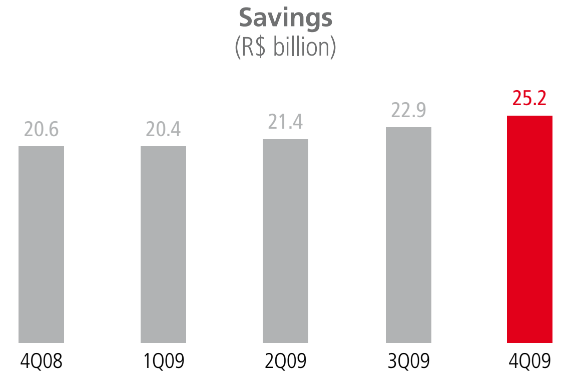
Loans to small and medium companies dropped 5.5% in twelve months as a result of the crisis, which implied lower demand for credit from these companies. In this segment we also witnessed a resumption of growth in the 4Q2009.



Deposits and investment Funds

Total deposits from clients, including investment funds, came to R$242,079 million in 2009, 5.3% higher than in 2008. The highlights were saving deposits, with growth of 22.2%, and investment funds, with growth of 22.4%.

Due to the comfortable liquidity position in 2009, supported by the proceeds from Santander's public offering, the funding mix changed, with time deposits representing a lower share, dropping from 59% in 4Q08 to 53% in 4Q09. The 14.8% or R$ 13,136 million drop in time deposits was concentrated among institutional clients, which ensures greater stability to the deposit base, besides bringing down funding costs.



Funding (R$ million)	2009	2008	Var 2009x2008
Demand deposits + Investment Account	15,140	15,298	-1.0%
Savings deposits	25,217	20,643	22.2%
Time deposits	75,771	88,907	-14.8%
Debentures/LCI/LCA[1]	27,544	24,686	11.6%
Customer Deposits	**143,672**	**149,534**	**-3.9%**
Assets under management	98,407	80,402	22.4%
Total	**242,079**	**229,936**	**5.3%**

[1]Repurchase Agreement (Debentures), Real Estate Credit Notes (LCI) and Agribusiness Credit Notes (LCA).

Credit/Funding Ratio

The following table shows the sources of funds used in credit operations. In addition to deposits from clients, net of reserve requirements, it is necessary to add external and internal funding, as well as securities issued abroad.

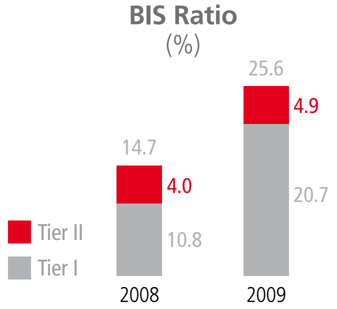
On December 31, 2009, the ratio of credit portfolio to total funding from clients was 89%, reflecting the Bank's comfortable liquidity position, with funding exceeding the credit portfolio by R$16.5 billion. Moreover, 77% of the total funding comes from clients through our extensive branch network and from corporate clients.

Funding vs. Credit (R$ million)	2009	2008	Var 2009x2008
Funding from Clients	143,672	149,534	-3.9%
(-) Compulsory Deposits	(23,638)	(20,482)	15.4%
Funding from Clients Net of Compulsory	120,034	129,052	-7.0%
Borrowing and Onlendings	19,409	25,282	-23.2%
Subordinated Debts	11,304	9,197	22.9%
Funding Abroad	4,223	5,573	-24.2%
Total Funding (A)	**154,970**	**169,104**	**-8.4%**
Total Credit (B)	**138,394**	**136,039**	**1.7%**
B / A (%)	**89%**	**80%**	**8.9 p.p.**

BIS Ratio

Financial institutions are required to maintain a Available Capital consistent with their activities, higher than the minimum of 11% of their risk wheighted assets. In July 2008, new capital measurement rules under the Basel II Standardized Approach came into effect, which included a new methodology for credit and operational risks.

The above ratio already takes into account the impact of dividends and interest on equity approved by the board of directors in December 2009. It is worth mentioning that this ratio does not include the goodwill not amortized while calculating the available capital.



OWN RESOURCES and BIS (R$ million)*	2009	2008	Var 2009x2008
Adjusted Tier I Regulatory Capital[1]	42,360	23,033	83.9%
Tier II Regulatory Capital	9,973	8,504	17.3%
Tier I and II Regulatory Capital[2]	**52,333**	**31,537**	**65.9%**
Required Regulatory Capital	22,484	23,527	-4.4%
Risk-weighted assets	204,400	213,882	-4.4%
Basel II Ratio	**25.6%**	**14.7%**	**10.9%**

* Amounts calculated based on the consolidated information of the financial institutions (financial group).
[1] Excluding the effect of goodwill relating to the merger of the shares of Banco Real and AAB Dois Par as per international rules.

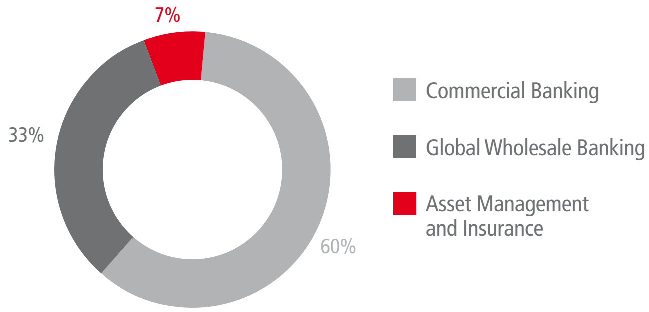
Economic and financial information per segment

The Bank operates in three key business segments: Commercial Banking, Global Wholesale Banking and Asset Management and insurance.

Commercial Banking	Global Wholesale Banking	Asset Management and insurance
• Bank Individuals Small and medium sized companies with gross annual revenues below R$ 250 million.	• Global corporate customers (or Global Banking Markets – GB&M)	• Asset Management
• Companies with gross annual revenues between R$ 30 million and R$ 250 million.	• Treasury	• Insurance
• Companies with gross annual revenues in excess of R$ 250 million. (excluding global corporate customers)		
• Consumer Finance.		

In 2009, the commercial bank represented 60% of the profit before taxes (IFRs) with a 68% growth versus the 2008 Proforma results. GB&M represented 33%; asset management and insurance 7%.

Profit before taxes - 2009
R$ million



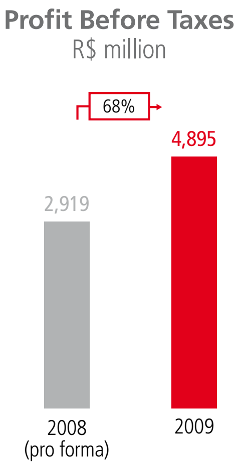
R$ million

Income Statement (Condensed)	Commercial Banking	Global Wholesale Banking	Asset Management and insurance	Total Bank
NET INTEREST INCOME	**20,260**	**1,767**	**140**	**22,167**
Variable Income loss (profit)	30	-	-	30
Equity in the earnings of subsidiary companies	295	-	-	295
Net fee and commission income	4,970	863	405	6,238
Gains/losses over financial assets and liabilities	1,752	859	54	2,665
Other operating income (expenses)	-281	-23	188	-116
TOTAL INCOME	**27,026**	**3,467**	**787**	**31,280**
Personnel expenses	-4,972	-474	-65	-5,511
Other administrative expenses	-5,213	-175	-48	-5,436
Depreciation & amortization of tangible and intangible assets	-1,176	-39	-34	-1,249
(Net) Provisions	-3,389	-45	-46	-3,481
Loss with financial assets (net)	-9,883	-83	-	-9,966
Loss for non recovery of other assets (net)	-899	0	-1	-901
Other financial gains (losses)	3,401	0	0	3,401
PROFIT BEFORE TAXES	**4,895**	**2,651**	**592**	**8,137**

Commercial Banking

The activities of the commercial banking segment include products and services focused on retail customers, consumer financing, corporate loans (other than global customers serviced by the Global Wholesale Bank). Our retail customer base includes individuals, small and medium sized companies with annual gross income below R$ 30 million and certain state owned entities.

Profit before taxes for the Commercial Bank totaled R$ 4.9 billion in 2009, a 68% jump versus the 2008 proforma statement. Total income grew by 18% in the same period, and we highlight the 14% growth in the net interest income line. Personnel expenses fell 1% and administrative expenses declined 7%, as a result of the synergies in connection with the acquisition of Banco Real. Losses with financial assets grew by 51% year over year as a consequence of the global financial crisis.



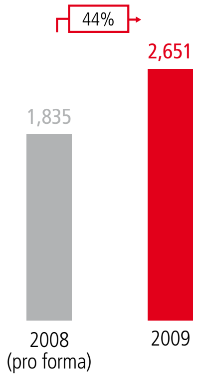
For the year ended on December 31.
In R$ million

Commercial Banking	2009	2008 pro forma	Var. 2009/2008
Net interest income	20,260	17,719	14%
Variable Income loss (profit)	30	39	-23%
Equity in the earnings of subsidiary companies	295	305	-3%
Net fee and commission income	4,970	4,866	2%
Other operating income (expenses)	1,471	-35	n.a.
Total Income	**27,026**	**22,894**	**18%**
Personnel expenses	-4,972	-4,998	-1%
Other administrative expenses	-5,213	-5,621	-7%
Depreciation & amortization of tangible and intangible assets	-1,176	-1,160	1%
Provisions (net)	-3,389	-1,631	108%
Losses with financial assets (net)	-9,883	-6,533	51%
Other financial gains (losses)	2,503	-32	n.a.
PROFIT BEFORE TAXES	**4,895**	**2,919**	**68%**

Global Banking & Marketing – GB&M

The wholesale segment has its focus on global corporate customers, with a total of 700 large sized Brazilian corporations and multinational conglomerates, including some of the largest corporations operating in Brazil. It also services global subsidiaries. In this segment customers are spread through a wide range of sectors, including energy and natural resources, telecommunications, financial, construction and infrastructures, agribusiness, retail, manufacturing (including automakers) and services. Operating profit before taxes for the Global Wholesale Bank totaled R$ 2.6 billion in 2009, a 44% jump versus the 2008 proforma statement. Total income grew by 23% in the same period, and we highlight the 35% growth in the commission line. Personnel and administrative expenses were down 24% and 15%, respectively.

Profit Before Taxes
R$ million



For the year ended on December 31.
In R$ million

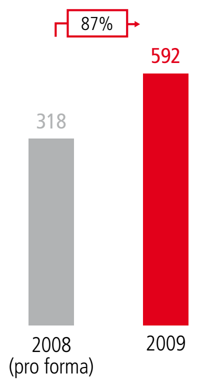
Global Wholesale Bank	2009	2008 pro forma	Var. 2009/2008
Net interest income	1,767	1,440	23%
Net fee and commission income	863	641	35%
Gains (losses) with financial assets and liabilities	859	796	8%
Other operating income (expenses)	-23	-66	-65%
Total Income	**3,467**	**2,811**	**23%**
Personnel expenses	-474	-622	-24%
Other administrative expenses	-175	-207	-15%
Depreciation & amortization of tangible and intangible assets	-39	-72	-46%
Net provisions	-45	-38	18%
Loss with financial assets (net)	-83	-37	124%
PROFIT BEFORE TAXES	**2,651**	**1,835**	**44%**

Asset Management and Insurance

Santander Asset Management manages third party assets via mutual funds, private pension funds and investment portfolios for both individuals and corporations. In insurance we offer retail customers and small and medium sized companies a number of products such as life and accident insurance, home insurance, lenders, loss and theft of credit cards and private pension plans (which are considered as insurance by the applicable laws) and "capitalização" (savings bonds) products.

Profit before taxes in the asset management and insurance was R$ 592 million in 2009, an 87% growth versus the 2008 proforma results, largely due to the merge of Santander Seguros in the 3Q2009, which consolidates the insurance, private pension and "capitalização" businesses. In the same period total income grew 80% also as a result of the said merger and personnel and administrative expenses grew by 23% and 60%, respectively.

Profit Before Taxes
R$ million



For the year ended on December 31.
In R$ million

Asset Management and Insurance	2009	2008 pro forma	Var. 2009/2008
Net interest income	140	72	94%
Net fee and commission income	405	358	13%
Gains (losses) with financial assets and liabilities	54	7	n.a
Other operating income (expenses)	188	0	n.a
Total Income	**787**	**437**	**80%**
Personnel expenses	-65	-53	23%
Other administrative expenses	-48	-30	60%
Depreciation & amortization of tangible and intangible assets	-34	-4	n.a
Provisions (net)	-46	-32	44%
Other assets	-2	-1	n.a
PROFIT BEFORE TAXES	**592**	**317**	**87%**

A differentiated risk management model

Santander's risk management model is a combination of good judgment and market knowledge.

Pisco Del Gaiso

In the midst of the scenario of low liquidity and volatility brought on by the international crisis, Santander supported its clients by financing debts and sought to set the size of installments to reflect debtors' payment capacity. To make this a reality, solutions were sought for the needs of each individual client, a challenge that involved employees from different areas and used best experiences in the development of new products.

The risk area played a key role in this process, showing the importance of an adequate approach to protect the bank's business. It should be pointed out that the integration process of the risk areas in 2009 resulted in the improvement of the management model and policies for both the operational risk and the internal control system. This union also incorporated the business continuity management model, developing an adequate assessment for the prevention of impacts resulting from the eventual interruption of business caused by external events.

Principles of a differentiated risk management

1. Independence from the risk function in relation to business;

2. Commitment to supporting the achievement of business objectives, striving for cooperation between business and risk managers;

3. Collective decision-making, including the branch network, thereby ensuring the existence of different points of view and avoiding decisions being made by individuals;

4. Use of tools of internal rating and credit scoring, RORAC (Return on Risk Adjusted Capital), VaR (Value at Risk), economic capital, scenario assessment, to name a few;

5. Global approach, including the integrated treatment of risk factors in the business units and the use of the concept of economic capital as a consistent metrics for risk undertaken and for assessing management;

6. Retention of a predictable profile with conservative risk (medium-low) and low volatility in relation to credit and market risks. This is done by diversifying the portfolio, limiting the concentrations of clients, groups, sectors or geographic regions, reducing the complexity level of market operations, the social and environmental risk analysis of business and projects financed by the bank (see box) and continuous monitoring to prevent the portfolios from deteriorating.

Risk Governance

The structure of the Santander Risk Committee is based on corporate standards. The approval levels of the Executive Operational Risk Committees are set by the Grupo Santander Risk Committee, and include the following responsibilities:

- To ensure local policies are implemented and adhered to in accordance with corporate standards;
- To authorize the use of local management tools and risk models and to be familiar with the result of their internal validation;
- To guarantee Santander's activities are consistent with the risk tolerance level previously approved by Grupo Santander.
- To be aware of, assess and adhere to any timely observations and recommendations that come to be made by the supervisory authorities in the fulfillment of their duties;
- To resolve transactions beyond the jurisdiction of the authority delegated to the remaining levels of management, in addition to establishing the global limits of risk pre-assessment of economic groups or in relation to exposure by type of risk.

The Executive Operational Risk Committee delegated some of its prerogatives to the Risk Committees, which are structured according to business, type and sector. The risk function at Santander is carried out by the Executive Vice-Presidency for Risk, which is independent from the business areas and reports to the president of Santander and to the person in charge of risk at Grupo Santander.

The Executive Vice-Presidency for Risk is divided into:

- Structure of methodology and control, which adapts the policies, methodologies and the risk control systems. This structure is made up of several units organized by risk type (solvency risk, market and methodology risk);
- Business structure, focused on the performance and integration of Santander's risk management function in business. This encompasses the units of retail risk, wholesale risk, credit recovery and social and environmental risk.

Risk Management

The bank operates in tandem with the risk policies of Grupo Santander, in line with local and global performance objectives. It follows the instructions of the Board of Directors, the regulations of the Central Bank of Brazil and international good practices, aiming to protect capital and ensure the profitability of business.

Santander is exposed to the following main risks in its operations:

- Credit risk: Exposure to loss in the case of total or partial default by clients or counterparties in the fulfillment of their financial obligations to the bank. Credit risk management seeks to supply subsidies for establishing strategies, besides setting limits, including the analysis of exposure and trends and the effectiveness of credit policies. The objective is to maintain an adequate minimum profitability which compensates for the estimated risk of default of clients and portfolios. Below is a summary of Santander's gross exposure to credit risk.

Santander - Gross exposure to credit risk (R$ million)

	Withdrawals - Clients	Withdrawable -Clients	Sovereign fixed Income (Excl. Trad).	Private fixed income (Excl. Trad).	Withdrawals - credit entities	Withdrawable -credit entities	Derivatives and Repos (CRE)	Total	Variation over Dec. 08
Dec09	159,465,631	77,789,371	41,987,587	3,043,193	36,437,270	-	13,972,122	332,695,176	7.5%

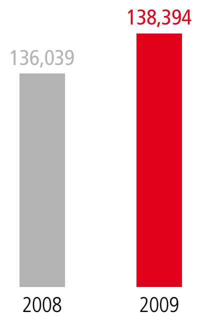
- Market risk: exposure to risk factors such as interest rates, foreign exchange rates, the price of goods, stock market prices, etc., depending on the type of product, the exposure, maturities, the terms of the contract and the underlying volatility. Market risk management includes practices of measuring and monitoring the use of limits that are pre-set by internal committees, of the value at risk of the portfolios, of the sensitivities to fluctuating interest rates, of exposure to foreign exchange, of liquidity gaps, to name a few. This allows for the monitoring of risks that might affect the position of the bank's portfolios in the various markets where it operates.
- Operational risk: : the possibility of loss resulting from the failure or inadequacy of individuals, processes and systems or from external events. The management and control of operational risk strive for the effectiveness of the internal control system, the prevention, mitigation and reduction of events and losses.
- Compliance risk: exposure from sanctions imposed by regulatory agencies, legal sanctions, physical financial loss or damage to the bank's reputation as a result of non-compliance with laws, regulations, principles and rules, norms and codes of conduct applicable to its activities. Compliance risk management takes a proactive approach to the risk of conformity, through monitoring, education and communication.
- Reputational risk: exposure resulting from negative public opinion, regardless of whether it is based on facts or pure speculation. The management of reputational risk is carried out by means of responsible involvement in the right business and with the right clients.

Pisco Del Gaiso

Credit risk

Santander develops policies and strategies for credit risk management with the support of the different business areas, responsible for ensuring the adequate validation of the internal systems and procedures used for credit risk management. These systems and processes are applied in the identification, measurement, control and reduction of exposure to credit risk in individual operations or those grouped together by similarity.

Client credit portfolio
R$ million



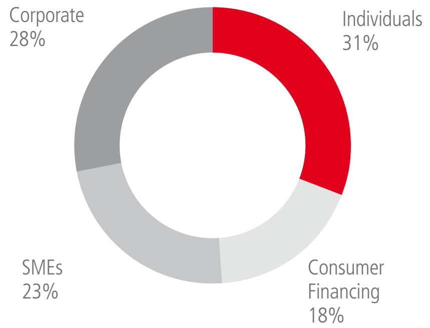
The specialization of the risk function is based on the characteristics of the clients:

- Individualized clients: clients from the wholesale bank, financial institutions and certain companies. Risk management is carried out by an analyst, established in accordance with the risk undertaken, and complemented by support tools for decision making based on internal risk assessment models;
- Standardized clients: individuals and companies not classified as individualized clients. The management of these risks is carried out using automated decision making and internal risk assessment models, complemented by teams of specialist analysts whenever the model lacks scope or precision.

Participation in client credit portfolio

Per type of client

Per segment



In order to ensure credit operations are carried out safely and in accordance with current standards, Santander collects documents and information that establish the necessary volume of collateral and provisions and ensure the identification of the borrower, the counterparty, the risk involved and its level in different categories, the extension of credit and the periodical assessments of the risk levels. The policies, systems and procedures used are reassessed annually to ensure they are always in accordance with the needs of the bank and the market scenarios.

The credit risk profile undertaken by Santander is characterized by the diversification of clients and the large volume of retail operations. Macroeconomic factors, market conditions, sectoral and geographic concentration, client profiles and economic outlook are also assessed.

a) Rating models

Santander uses its own internal rating models to measure the credit quality of a client or a transaction. Each rating is related to the probability of delinquency or non-payment, established using the bank's past experience, with the exception of some portfolios considered to have a low delinquency probability. Santander has around 50 internal assessment models that are used in the risk approval and monitoring process.

The assessment of the different categories of credit operations is carried out in accordance with the criteria of the economic-financial situation of the client and other registered information, the effective reduction of risk in the operation and late payments of the financial obligations under the terms agreed upon. New operational modalities are submitted for credit risk assessment and for verification and adaptation to the controls adopted by the bank.

Client assessments are frequently reviewed, employing any new financial information available and the experience developed in the banking relationship. These new assessments are carried out more frequently in the case of clients who have attained certain levels in the automatic warning systems and also in the case of those deemed to require special monitoring. Rating tools are also reviewed so that the assessments they provide are progressively perfected.

Rating Master Scale

Internal Rating	PD	Standar & Poor's	Equivalence with Moody's
9.3	0.017%	AAA	Aaa
9.2	0.018%	AA+	Aa1
9.0	0.022%	AA	Aa2
8.5	0.035%	AA-	Aa3
8.0	0.060%	A+	A1
7.5	0.090%	A	A2
7.0	0.140%.	A-	A3
6.5	0.230%	BBB+	Baa1
6.0	0.360%	BBB	Baa2
5.5	0.570%	BBB-	Baa3
5.0	0.920%	BB+	Ba1
4.5	1.460%	BB	Ba2
4.0	2.330%	BB/BB-	Ba2/Ba3
3.5	3.710%	BB-/B+	Ba3/B1
3.0	5.920%	B+/B	B1/B2
2.5	9.440%	B	B2
2.0	15.050%	B-	B3
1.5	24.000%	CCC	Caa1
1.0	38.260%	CC/C	Caa1/Caa2

b) Credit loss and cost

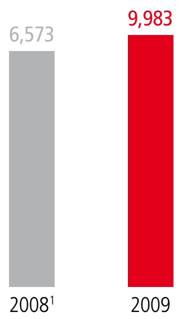
OThe bank periodically estimates loss related to credit risk and compares effective loss to previously estimated values. Prior and regular reviews are carried out to keep control over updated credit risk and to make exceptions or to renegotiate certain operations. It is also possible to increase the level of guarantee when necessary.

In order to complement the use of the previously described models, Santander uses other measurements to facilitate prudent and effective credit risk management, based on the identified loss. Credit risk cost is measured using indicators such as the variation in non-performing loans under recovery, credit provisions and lowered net credit.

Reports on risk management are submitted to the Board of Directors, who ascertains risk management is in line with bank policies and strategies. Simulations of risk situations are carried out in order to assess the need for reviewing pre-established policies and limits.

All information on risk management structure and procedures is stored at Santander and is available to the Central Bank of Brazil. In addition, information on credit risk management is also published in the quarterly financial statements, in order to meet the principles of transparency.

Provision for loan losses
R$ million



Expenses with allowances for loan losses, net of loss recovery

c) Credit risk cycle

Santander holds a global view of the bank's credit portfolio throughout the various phases of the risk cycle, with a level of detail sufficient enough to be able to assess current risks and eventual shifts. This mapping is monitored by the Board of Directors and the Risk Committee, which establish the risk policies and procedures, the limits and delegation of powers, in addition to approving and supervising operations of the sector.

The management process consists of identifying, measuring, reviewing, controlling, negotiating and deciding upon the risks incurred in the bank's operations. This cycle is made up of three distinct phases:

Pre-sale	Sale	Post-sale
Processes of planning, target setting, risk assessment by the bank, approval of new products, risk analysis and the credit rating process and limit setting.	Decision-making phase for pre-classified and specific transactions.	Processes of risk monitoring, measurement and control, and recovery process management.

▪ Risk planning and limits

This is the process that identifies the bank's interest by means of the assessment of business proposals and risk position. This process is defined in the global risk limit plan, an agreed- upon document for the integrated management of the balance sheet and the inherent risks. The limits are based on two basic structures: clients/sectors and products.

In the case of individualized risks, clients represent the most basic level, for which individual limits are established (pre-assessment). For large corporate groups a pre-assessment model based on an economic capital measurement and monitoring system is used. As regards the corporate sector, a simplified pre-assessment model is applied for clients that meet certain requirements (thorough knowledge, rating, etc).

In the case of standardized client risk, the limits are planned using credit management programs (PGC), a document agreed upon by the areas of business and risk, and approved by the risk committee or its delegated committees. This document contains the expected results for the business in terms of risk and return, in addition to the limits the activity is subject to and the related risk management.

▪ Risk analysis

Risk analysis is a pre-requisite for the approval of loans to clients and consists of examining the counterparty's ability to meet its contractual commitments to Santander, which includes analyzing the client's credit quality, its risk operations, its solvency, the sustainability of its business, and the expected return taking the risk undertaken into account.

This analysis is carried out at preset intervals or whenever a new client or transaction arises. In addition, the rating is analyzed whenever the warning system is triggered or an event occurs affecting the counterparty/transaction.

▪ Transaction decision-making

The purpose of the transaction decision-making process is to analyze the same and to adopt solutions thereon, taking into consideration the risk appetite and any important factors for counterbalancing risk and return. The bank uses, among others, the RORAC methodology (return on risk-adjusted capital) for the analysis and pricing in the decision-making process on transactions and business.

[1] Pro forma.

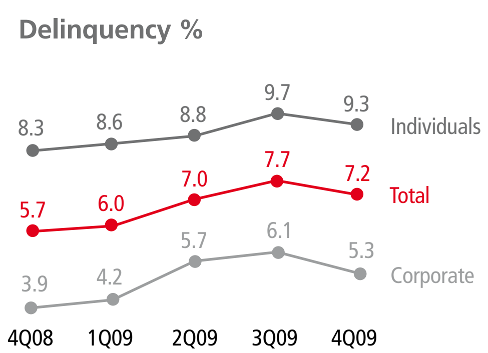
▪ Risk monitoring and control

In addition to the functions carried out by the Internal Audit area, the Executive Vice-Presidency for Risk has its own risk monitoring area for the control of credit quality, formed by local and global teams to which specific managers and resources have been assigned. This monitoring area is based on an ongoing process of observation, which ensures the early detection of any events that might arise in the development of risk, the transactions, the clients and their environment, so that preventive action may be taken. This monitoring area is specialized by client segment.

A system called "firms under special surveillance" (FEVE) has been created for this purpose, distinguishing four categories based on the level of concern raised by the circumstances in evidence (terminate, secure, reduce and monitor). The inclusion of a company in the FEVE system does not mean that delinquency has occurred, but rather, that closer monitoring is advisable, with the aim of taking timely measures of correction and prevention, assigning somebody to take charge and establishing a deadline for putting the action into effect.

Clients included in the FEVE system are reviewed every six months, or every three months in more serious cases. A company is included in the FEVE system as a result of the monitoring process itself, a review carried out by the internal auditors, a decision made by the manager in charge of the company or the triggering of the automatic warning system. Ratings are reviewed at least once a year.

In relation to standardized client risk, the key indicators are monitored in order to detect any variations in the performance of the credit portfolio, with respect to the forecasts made in the credit management programs.

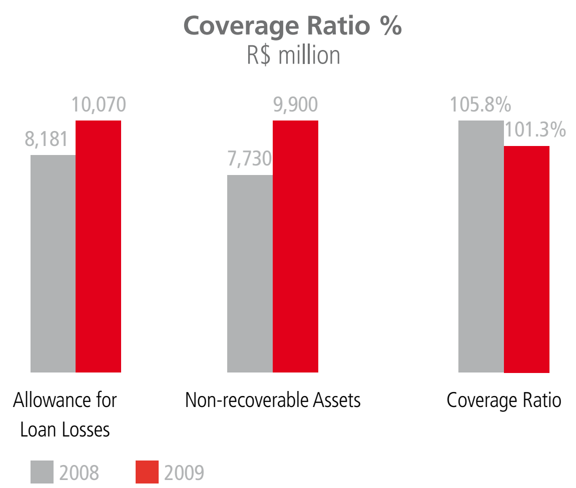


Loans overdue by more than 90 days and other non-performing transactions

d) Risk control

Its function is to obtain a global view of the bank's credit portfolio throughout the various phases of the risk cycle, with a level of detail sufficient enough to be able to assess the current circumstances and eventual shifts.

Changes to the bank's risk exposure are controlled in an ongoing and systemic manner according to budget, limits and benchmarks. The impacts of these changes in certain future situations, both those of an exogenous nature and those arising from strategic decisions are assessed with the aim of establishing measures that place the profile and the amount of the credit portfolio within the parameters established by the bank.



Ratio of the balance of allowance for loan losses to the balance of non-recoverable assets.

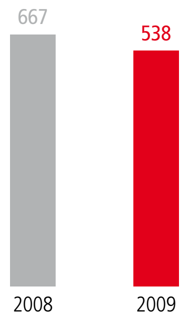
e) Credit recovery

This process uses tools such as behavioral scoring to study the collection performance of certain groups, in an effort to reduce costs and increase recovery rates. Clients who are likely to effect payment are classified as low risk, and greater attention is given to maintaining a healthy relationship with these clients. Clients who are unlikely to effect payment are classified as high risk, and are monitored more closely. All clients with overdue payments or rescaled credit are subject to internal restrictions.

The strategies and channels for collection are established in accordance with the number of overdue days and the amount of the debt. A responsibility map is then drawn up. During the first few days of delinquency, a more intensified collection model is adopted, employing specific strategies and closer internal monitoring. Service centers, credit blacklisting, and collection by mail and through the branch network are the methods used by the branch network during this phase, all aimed at client recovery. In cases of delays of over 60 days and more significant amounts, internal teams specializing in credit restructuring and recovery enter into action, operating directly with the delinquent clients. Recovery of lesser amounts or more serious delays is carried out by legal or administrative third parties, who are paid commission on any amounts recovered in accordance with internal criteria.

Non-performing loan portfolio, particularly write-off transactions, is periodically sold through an auction process, in which the conditions and characteristics of the transactions are evaluated, without risk retention.

Recovery of loans written-off
R$ million



Credit for good practice

We improved our social and environmental risk practice in 2009, striving to persuade our corporate and private banking clients to engage in sustainable practices. We adopted an inclusive stance with an emphasis on solutions for changes in attitude.

We analyzed the social and environmental issues of clients with a credit limit of R$ 1 million or over and in the acceptance of new account holders and investments. We carried out more than 2,100 analyses of project finance companies and business in 2009. Our experience shows that there is a frequent connection between social and environmental problems and financial issues. Companies that take care of the well-being of their employees and of the environment they work in tend to have more efficient management and therefore more chance of honoring their commitments and generating good business for the bank.

In the last quarter of 2009, we carried out training activities on the theme for around 170 employees from the areas of business, risk and the financing of Global Banking & Markets (GB&M) projects. The new social and environmental risk practice came into force in February 2010.

Market Risk Management

Outlook

Santander is exposed to market risks resulting from the following activities above all:

- Financial trading involving risks of interest rate, foreign exchange rate, share prices and volatility.
- Retail banking activities involving the interest rate risks, given that the rate variations affect revenues, interest expenses and client behavior.
- Asset investment (including subsidiaries), the returns or accounts of which are denominated in foreign currencies, thereby involving exchange rate risk.
- Investments in subsidiaries and other companies, subjecting us to share price risk.

Market Risk Limit Structure

Market risk limit structure represents the group's risk appetite and is determined by our global policies of market risk management, serving to:

- Identify and define the main types of risk incurred on a regular basis within our business strategy.
- Quantify and to notify our business sectors the acceptable risk levels and profiles, in tandem with senior management risk assessment and in order to protect our business sectors against undesired risks.
- Afford flexibility to our business sectors by the timely and efficient definition of risk positions sensitive to market changes and to our business strategies and always within risk levels acceptable to Grupo Santander.
- Establish the range of products and underlying assets the treasury area may operate with, taking into account our risk management models and systems.

Statistical Tools for the Calculation and Management of Market Risk

The VaR Model

Locally, Santander uses a number of statistical and mathematical models, including VaR, historical simulation and stress testing for measuring, monitoring, reporting and managing market risk.

VaR, the way in which we calculate it, is a forecast of the maximum loss expected from the market value of a certain portfolio in a one-day time frame and with a 99% confidence interval. It is a forecast of the maximum daily loss we would suffer in a certain portfolio for 99% of the time, taking the assumptions and limitations into consideration that are discussed later in this report. On the other hand, it is a forecast of the loss we would expect to avoid for 1% of the time, or approximately 3 days a year. VaR provides a forecast of the single market risk which is comparable between one market risk and another.

Our standard methodology is based on historical simulation (520 days). In order to reflect the recent volatility of the market on the model, our VaR value is the maximum between the 1% percentile and the 1% weighted percentile of the simulated distribution of profit and loss. This distribution of loss is calculated using an exponential drop-off factor, which attributes less importance to the observations the further away they are in time.

We use VaR forecasts to warn senior management whenever statistically estimated losses exceed acceptable levels. VaR limits are used to control exposure in each of the portfolios.

Assumptions and limitations

Our VaR methodology should be interpreted in light of the following limitations: (1) the one-day time frame might not fully reflect the market risk of positions that cannot be eliminated or protected by hedging in a day; and (2) we currently calculate VaR at the close of business, and positions held for trading can change significantly during a day's trading.

Scenario analysis and measures of calibration

Due to the limitations of the VaR methodology, in addition to historical simulation, we use stress testing to analyze the impact of extreme market oscillations and to adopt policies and procedures in an attempt to protect our capital and operational results against such contingencies. In order to calibrate our VaR model we use back-testing, a comparative analysis between the VaR forecasts and the net daily result (a theoretical result attained by adopting the assumption of the daily variation to the portfolio marked-to-market and only taking into account the oscillation of the market variables). The purpose of these tests is to verify and measure the precision of the models used to calculate VaR.

Balance Sheet Management

Interest rate risk

We analyze the sensitivity of the net interest margin and the market value of shares to shifts in interest rates. This sensitivity is a result of differing maturities and interest rates in the various assets and liabilities accounts. In the case of products with no contractual maturities, we use certain repricing hypotheses or internal models based on the economic environment (financial and commercial).

The measures used to control interest rate risk are the analysis of the difference between interest rates and the sensitivity of net interest margin, the sensitivity of the market asset value, the balance sheet VaR and scenario analysis.

Differences between assets and liabilities interest rates

The analysis of the differences between interest rates refers to the irregularities or discrepancies between the alterations to the value of assets, liabilities and off-balance sheet items. The analysis of the difference provides a basic picture of the structure of the balance sheet and ensures the detection of interest rate risk in accordance with the concentration of maturities. It is also a useful tool for estimating the impact of future interest rate shifts on net interest margin or on equity.

Sensitivity of the net interest margin

The sensitivity of the net interest margin measures the alteration, in the short and medium term, of profits forecast for a 12-month period following a change in the yield curve. A simulation of the net interest margin is calculated for both the current and changed yield curve scenarios, and the sensitivity constitutes the difference between the two margins.

Market value of equity sensitivity

Market value of equity sensitivity measures the interest risk implicit to equity throughout the duration of the transaction, based on the effect of a shift in interest rates on the current values of financial assets and liabilities. It is an additional measure of the sensitivity of net interest margin.

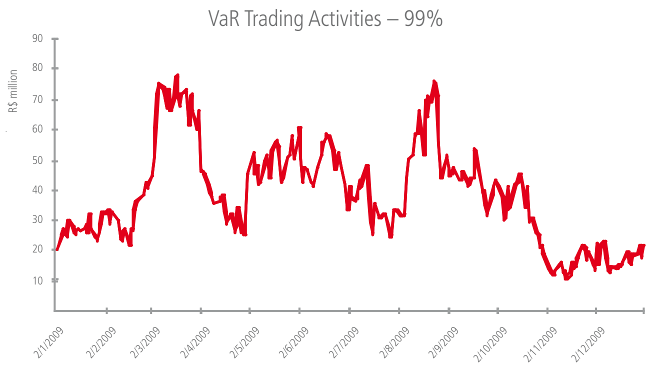
Value at risk

The VaR of the activities included in the balance sheet and investment portfolios is calculated using the same standard adopted to simulate activities held for trading, or in other words, a historic simulation with a 99% confidence interval and a one-day time frame.

Qualitative Analysis Trading Activities

Quantitative analysis of daily VaR in 2009

The graph below shows our performance in relation to activities held for trading in the financial markets in 2009, measured by daily VaR:



VaR fluctuated between R$ 10 million and R$ 78 million during 2009. The fluctuation depicted in the above graph was basically due to changes in trading activity positions over the year.

VaR remained between R$ 28 million and R$ 45 million in 51% of the days in 2009. The average VaR for 2009 was R$ 38.03 million, less than in 2008, and was mainly due to the reduction in market volatility.

The table below shows our total daily VaR on 31 December 2008 and on 31 December 2009:

As of December, 31
R$ Million

	2008	2009			
		Minimum	Average	Maximum	End of period
Trading Activities	40.59	10.48	38.03	77.64	20.85

Quantitative analysis of interest rate risk in 2009

Sensitivities

At the close of 2009, the sensitivity of net interest margin in a year to a parallel increase of 100 basis points on the yield curve in local currency was negative R$ 201,79 million. The interest margin in foreign currency was R$ 29 million.

Furthermore, at the close of 2009, the sensitivity of equity to parallel increases of 100 basis points on the yield curve was R$ 1,093 million in local currency and R$ 34 million in foreign currency.

Operational and Technological Risks and Business Continuity Management

To adopt, maintain, and disseminate the culture, policies and infrastructure necessary for the adequate management and control of operational risk are competitive factors at Santander, in the ongoing quest for the effectiveness of the Internal Control System, prevention, mitigation, and reduction of events and loss through operational risk. This concern is reflected in the mission of the Operational and Technological Risk Area (ROT):

> **"To be the area responsible for the implementation and dissemination of the culture, policies, and infrastructure necessary for the adherence and commitment of all associates to the adequate management and control of Operational, Technological and Business Continuity Risks for the effectiveness of the Internal Control System, contributing to the achievement of the objectives of Santander and its stakeholders."**

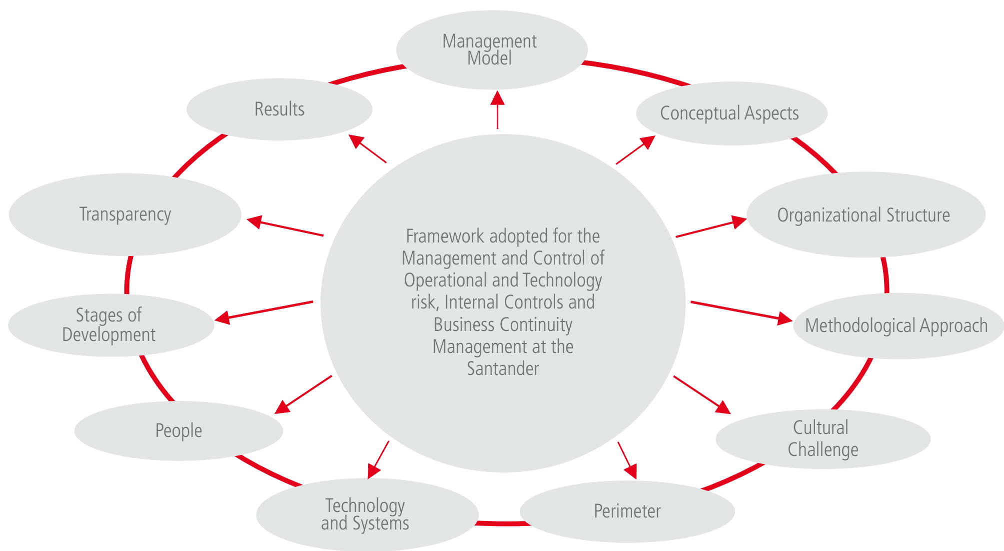
he processes that have been developed and adopted attempt to position and maintain the bank in Brazil among the financial institutions recognized as having the best managerial practices in the administration of operational risk and its transactions. Thus, the processes contribute to the achievement of the strategic objectives, the ongoing improvement in soundness, the trustworthiness and the reputation of the institution in relation to the local and international markets.

Santander has an established model of management and control, which ensures its adoption by managers on a daily basis, its alignment with the guidelines of the Group in Spain and compliance with the requirements of the new Basel Agreement – BIS II, to the requirements of BACEN, CVM and SUSEP.

Aligned with the procedures of these regulatory and supervisory agencies, Santander considers operational risk events to be those resulting from failure or deficiencies in the internal processes, individuals and systems, or those resulting from exposure to external events, which may or may not cause financial loss, affect business continuity or negatively affect the audiences the bank deals with.

In order to meet the challenges imposed by the ROT mission, Santander has developed and implemented a multi-aspect model outlined in the following framework:

Framework for Operational and Technology Risk



Inclusion in the bank's Corporate Governance structure:

Executive Committee of Operational Risk: independent and autonomous, this committee is responsible for establishing strategies and guidelines relative to the control and management of operational, technological and business continuity risks.

Operational Risks (OR): comprised by the areas of Information Security, Special Occurrences, Intelligence and Prevention of Fraud and Operational and Technological Risks (which encompasses Business Continuity). Among the responsibilities of these areas are the commitment to disseminate culture, to establish methodologies, norms, policies, tools, training activities and procedures, reasonable and enforceable, for an effective and efficient management and control of operational risk.

The Operational Risk area employs norms, methodologies and an internal model based on the best market practices for the identification, assessment, monitoring, management and control of operational risk, maintaining the alignment with the requirements set forth in the CMN Resolution N° 3380, of 29 June 2006 – BACEN, adhering to the requirements of this resolution and promoting the adequate management and control of operational risk at Santander.

Information Security: responsible for the establishment and dissemination of security policies, standards and projects, aiming at the protection of the bank's information assets, based on the best global practices of Information Security and the adherence to Grupo Santander procedures. Carries out security reviews and participates in technological projects under the scope of systems security, as well as establishing models of access control and the implementation of controls for the mitigation of security risks in the business areas. It holds awareness programs for employees and associates of the group on matters of information security.

Special Occurrences: responsible for the prevention, detection and investigation of internal and external fraud, for dealing with incidents of normative and behavioral deviance, for advising managers on procedures, for creating specific processes for the identification of abnormalities and for recommending solutions and proposals for improving internal controls. It also interacts with other areas in the development of preventive warnings in the branch network and centralized areas, with the aim of preparing employees to combat fraud and to guard the bank against loss.

Intelligence and Fraud Prevention Nucleus: responsible for the prevention, analysis and control of external fraud, reducing the bank's losses and increasing the security of the business channels, both effectively and in the perception of clients and the general public, by means of activities of monitoring and reaction, the identification of trends and new attacks and the creation and implementation of anti-fraud strategies in the business channels, proposing and facilitating the development of solutions for the prevention and combat of fraud.

Operational and Technological Risk: this area is responsible for the implementation of the best practices in the management and control of Operational and Technological Risk and Business Continuity Management, assisting managers to achieve their strategic objectives in Santander's decision-making process, in performing activities, in the alignment and compliance with mandatory requirements and in upholding the soundness, trustworthiness and reputation of the bank.

The foundations of the model adopted for the management and control of Operational and Technological Risk consist of two approaches:

1. Centralized approach: : the control of Operational and Technological Risk is the responsibility of this area, corresponding to the activities of identification, assessment, monitoring, control, analysis, consolidation, assistance in the mitigation and modeling of relevant operational risks and the events and losses through operational and technological risk, covering the areas, processes and institutions that are part of Santander.

2. Decentralized approach: the management of Operational and Technological Risk is the responsibility of the area, process and product managers, assisted by representatives from the Operational Risk and Internal Control sectors and from ROT, and supported by the policies, methodologies and tools established for the area. Managers should identify and notify ROT of any operational risk events, recording them in the database of events and loss through operational risk, in addition to developing and putting into practice preventive and corrective action.

Operational and Technological Risk Area Activities

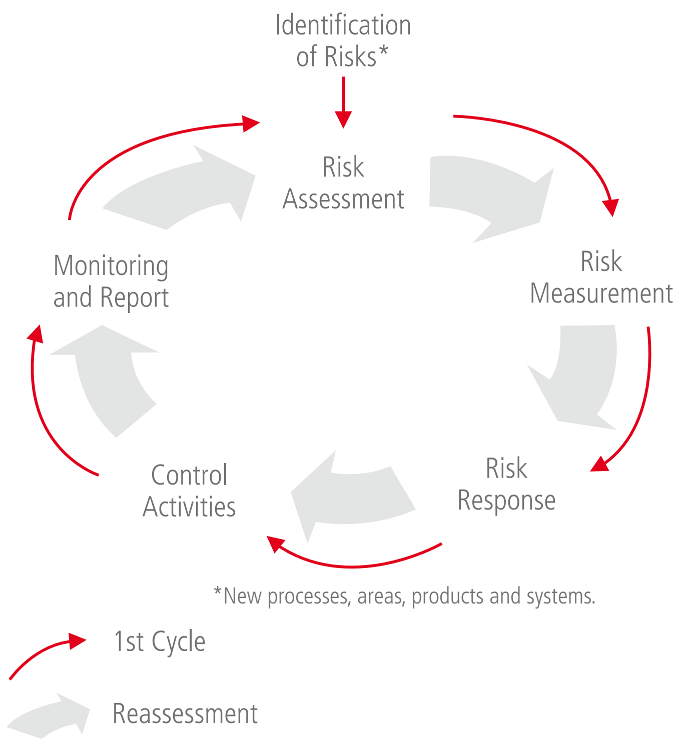
Santander works toward the consistent convergence and integration of the best practices in the control and management of operational risk. Qualitative and quantitative approaches are adopted for this purpose, as well as the management and control of technological and business continuity risk.

The qualitative approach aims at the identification and prevention of operational risk and the definition of the risk profile of the areas, processes and products, striving to strengthen the environment of internal controls and to monitor the key indicators of qualitative operational risk (KRIs).

The quantitative approach is related to the qualitative approach, helping to detect, correct and act on the prevention of operational risk and also to provide mechanisms for operational or strategic analysis and decision-making.

Both approaches are responsible for providing methodologies, tools and systems to help managers identify and assess risks and controls and to establish the profile of the operational risk of each area, process and product. I In addition, these approaches contribute to the implementation of policies, norms, procedures and tools for maintaining the flow of detection of risk events, operational loss and key operational risk indicators for the bank, in a single base, as a means of analyzing risks and identifying their main causes, and the coordination, together with the managers in charge, of the effective implementation of the action plans established for the mitigation and reduction of risk and operational loss.

Operational Risk Model



Principal methodological tools used by both approaches:

Operational and Technological Risk Matrix: a customized tool used to identify and validate operational risk, its causes and the control procedures identified in activities and processes. The methodologies used include work meetings and self-assessment.

Abridged Matrix of Operational and Technological Risk for New Products: : a tool developed and used to identify and validate the operational risks and internal controls in existence before the launch of new banking products and services.

Self-Assessment Questionnaires (generic and specific): a corporate tool adopted to identify the perception of the managers in relation to the control environment they work in, from the point of view of management and control of operational risk, and allowing for the criticality of the operating environment to be defined.

Internal Historical Database of Events and Loss through Operational Risk: helps in decision-making on the priorities in plans of action for the prevention and reduction of operational risk and loss incurred through operational risk. Among its functions is the approach of advanced measurement for calculating the demand for regulatory and economic capital by means of the creation of frequency distributions and severity of operational risk events and the consequent calculation of the capital needed to cover operational risk.

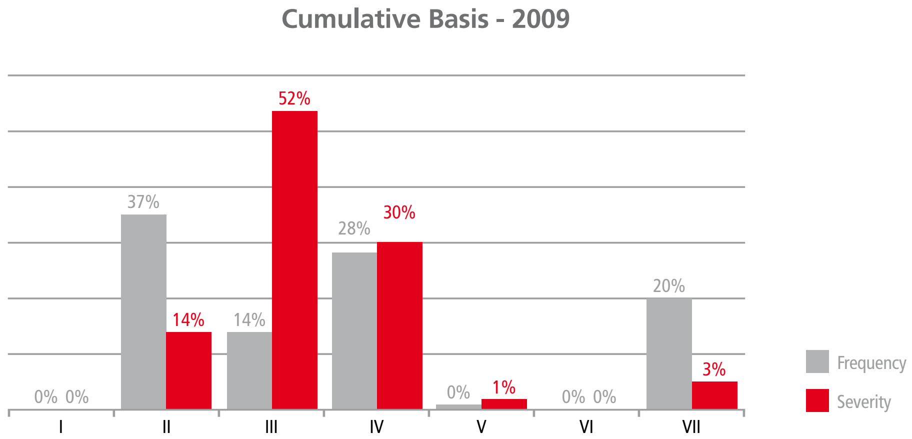
Preparation and Monitoring of Forecasts and Loss Limits through Operational Risk: : a process that ensures the commitment of the main areas in relation to the forecasts and loss limits through operational risk in each financial year, with monitoring and periodic analysis of the oscillations observed, anticipating the recommendation of action plans by ROT in order to correct deviations, whenever necessary.

Analysis and Treatment of Relevant Failures and Occurrences: : a process developed and introduced for the timely detection of actual material occurrences and failures, aimed at the taking of corrective action and adequate preventive treatment, in order to minimize the impact on the audiences the bank deals with.

Identification and Monitoring of Action Plans for the Mitigation of Operational Risk Events and Material Occurrences: a process developed and introduced to control and monitor the implementation of action plan identified through the events recorded on the operational risk database and on the timely detection of failures and actual material occurrences.

Key Operational Risk Indicators: a tool developed for the bank in order to identify both relative trends and deviations, as opposed to absolute trends, taking into account internal and external variables of volume, thereby creating a panel of key operational risk indicators customized to the needs of Santander.

The joint use of the qualitative approach and the timely detection of events of operational risk and loss through operational risk, as well as the identification and analysis of the causes and their corresponding impacts, will allow us to adopt backtesting techniques for monitoring the implementation of corrective and preventive action plans of the events detected.



In addition, this union leads to synergy and optimization, by means of the convergence in operational and technological risk management and in business continuity, with directly influences the establishment of economic and regulatory capital.

Results obtained

Percentual distribution of frequency and severity of loss through operational risk in the 2009, according to Loss Event Category.

Management and Control of Technological Risk

This process assists the managers in the identification and assessment of the technological risks and respective internal controls, specific to the processes and activities related to technology. It defines the methodologies, tools and systems for the corporate management of technological risk, and coordinates, with those in charge, actions for the prevention and reduction of the frequency and severity of technological risk events.

Management and Control of Business Continuity Risk

Responsible for the coordination and control of the implementation, maintenance and updating of the methodology of Business Continuity Management (BCM) in the different areas at Santander.

The main objective of BCM is to assess the need for the development and implementation of the Business Continuity Plan, validating procedures and alternative infrastructure to give continuity to Santander's main business, protecting people, the bank's reputation, the values and the commitment to the audiences the bank deals with. These plans are developed using an adequate assessment of the impacts that an interruption of activities resulting from extreme events such as strikes, blackouts, pandemics, civil unrest and natural and physical disasters could cause to the bank.

BIA (Business Impact Analysis): A tool used in the BCM methodology to identify the impacts and the recovery needs that might be caused by extreme events of operational risk entailing the interruption of the business functions of the Organization.

BCP (Business Continuity Planning): a source of information to help the area preserve its teams and business, validating emergency response strategies and the restoration of the bank's vital functions at an alternative location and within the maximum time period established by the areas.

Testing: BCP testing is carried out annually, or whenever signifi-

I. Internal fraud.
II. External fraud.
III. Inadequate employment, health and safety practices.
IV. Inadequate practices with clients, products and services.
V. Damage to physical assets.
VI. Interruption of business and systems failure.
VII. Failure in the execution, delivery and management of processes and activities.

cant changes occur in the business environment. The tests should be documented and the BCP area is in charge of controlling the results, in order to improve the procedures adopted.

Crisis Response Group (CRG): a group operating specifically to deal with the more significant crises that affect the Organization, as a means of protecting people, preserving the bank's reputation, minimizing business loss and operational damage and ensuring the restoration of normal operations.

Scope

The scope of both the management and control of Operational and Technological Risk and Business Continuity Management at Santander stretches beyond the allocation and calculation of regulatory capital. Operating in a professional and ethical manner, the control of operational and technological and BCM risk leads to important achievements for the bank, ensuring its continuity and development, among which are:

- Improvements in operational and productive efficiency in activities and processes and optimization of the allocation of regulatory and economic capital.
- Adaptation to existing regulations: BACEN, CVM, SUSEP and BIS-II.
- Enhancing of its reputation and improvements in the Risk x Return relationship for the audiences the bank deals with.
- Timely adaptation to the new requirements of the regulatory agencies.
- Maintenance and preservation of the quality and trustworthiness of the products and services made available, as well as the related parties.
- The timely identification and addressing of the corrections of vulnerabilities identified in processes.
- Monitoring of the timely compliance with demands by the regulatory agencies.
- Cultural change and dissemination of accountability.
- Development and introduction of online and classroom training activities, aiming at the dissemination of the culture of Operational, Technological and BCM risk.
- Diffusion of the culture of the management and control of Operational Risk, by means of internal communications (intranet, printed material and other means).

This solid, effective structure ensures the Group is continuously improving its existing methodologies and increasing the dissemination of the culture of responsibility over the management and control of operational risk events.

Differential factor

The area of Operational Risk keeps its employees updated and trained to face the changes identified in the business environment, as well as offers training activities to other employees in the Group through classroom and intranet courses.

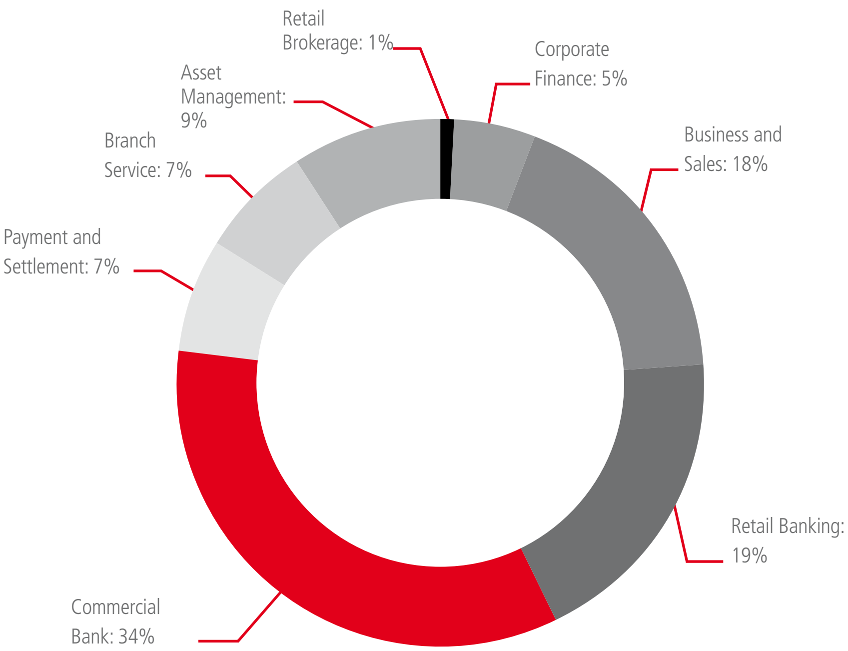
The activities listed below are some of the highlights that made a significant contribution to Santander achieving its strategic and operational objectives in a consistent manner, with a controlled environment and knowledge of the exposure to the operational risks undertaken, in addition to keeping the bank's risk profile low and guaranteeing the sustainable development of its operations.

- The annual holding of the Week for the Prevention and Control of Operational and Technological Risk (Semana de Prevenção e Controle de Riscos Operacionais).
- Maintenance of the Integration Program for New Employees – "A single voice", which includes lectures and audio-visual classes on the responsibility and involvement with the management of operational risk.
- Training sessions on the procedures required to assess the Internal Control Environment.
- The creation, divulgement and maintenance of Instructions Manuals, ensuring the commitment of everyone by means of corporate dissemination.
- The coordination of the annual process for preparing forecasts of loss through operational risk, the establishment of action plans to reduce such losses and accountability.
- The development of Key Risk Indicators, with the objective of performing absolute and relative analyses based on volume and benchmarks.
- Integration with the other areas of the bank, electing representatives for the most important areas, including technology.

Allocation of Capital for Operational Risk

As a result of the methodology that has been implemented, Santander fully meets the requirements of Resolution 3380 and on 31 December 2008, adopted the Standardized Approach for the Calculation of the Capital Charge for Operational Risk - POPR.

Allocation of capital for each business line at Santander



Future outlook

With the structure, methodologies and model that have been developed and adopted, we expect Santander to expand, both on the local and international scenarios, and to consolidate this strategy by ensuring it is recognized as a cutting edge organization in the process of the management and control of operational, technological and business continuity risk, by means of the implementation of an efficient environment of internal controls and identification of risk exposure.

Our main results, including the creation and operationalization of the Executive Committee for Operational Risk, have been published in the annual and social reports since 2006 and in the consolidated financial statements as from 31 December 2008.

Trust produces sustainable results for everyone

The value of the Santander brand will be increasingly measured by the strength of the bonds with its stakeholders.

Brand

As far as Santander is concerned, brand is a strategic asset. The bank defines brand as the culture and dynamism of relationships with people, clients, employees, suppliers, shareholders and society, generating value for everyone involved.

Hence, brand value is the delivery of the organization's beliefs and values to business practices, while maintaining consistency between what is said and what is done. More than this, it is related to the way in which the stakeholders perceive and recognize this alignment in experiences with the brand, believing that this consistency will enhance the generation of present and future value. The more genuine and inspirational the attitudes of the organization are, the greater the potential for recurring sustainable results.

Santander is dedicated to transforming its beliefs and values into real-life experiences for people. This is why the bank has been developing metrics for assessing its relationships over the years, and uses them to direct efforts at discovering better ways of meeting clients' needs by increasing levels of satisfaction and loyalty and ensuring long-term relationships. Investment in exemplary client service is one of the ways of establishing trust and consequently preserving relationships with current clients and acquiring new ones. Proposing ways of doing business based on network collaboration is also a path toward the creation of value where everyone can participate and win.

The merger of Santander and Banco Real has given birth to a new brand which combines the best of both worlds and potentializes the Santander brand attributes and value worldwide. Throughout this process, the convergence of desired values and attributes will occur as a result of day-to-day practices and the information provided to the general public by the mass media, in such a way that when the brand name is definitively changed, the resulting feeling will be one of evolution, attracting new clients and generating more business.

In 2009, the bank merged its ATM services and launched products that demonstrate the result of this union in practice. The Van Gogh Santander services (a relationship model for high-income clients) and the new overdraft service, which combines in a single product the ten interest-free days of *RealMaster* and the installment payment plan for overdrafts at half the interest rate of the *Cheque Essencial Santander* are examples of this.

The care taken to ensure this communication came from the inside has strengthened the bank's actions by having engaged the internal audience throughout the process. In addition, other collaborative means are being included in Santander's strategy, such as social networks, for example. The bank understands that dealing with network-connected individuals working for or against a cause is now a reality rather than a trend. Santander wishes to get closer and closer, inviting everyone to participate in the processes and business.

The bank posts videos and lectures on YouTube, in addition to commercials before they are broadcast on television. This experience has allowed us to interactively engage internet users, securing their attention and multiplying the effects of the campaigns. In 2009, the bank also began to use Twitter in order to get even closer to its audiences, to promote dialogue and to share knowledge.

US$ 128 billion

total market value of Grupo Santander

US$ 25 billion

are attributed to the brand

20%

are assets sustained by the perception of quality the bank transmits to its audiences on a daily basis.

The value of the brand

Of the total market value of Grupo Santander – US$ 128 billion – US$ 25 billion are attributed to the brand. Grupo Santander is the third largest financial conglomerate in the world in brand value, according to the ranking published in the Brand Finance Banking 500 report released in February 2010. In other words, 20% are assets sustained by the perception of quality the bank transmits to its audiences on a daily basis. The strengthening of the brand in Brazil is a natural contribution to the appreciation of the Group. This ability to enhance the potential of global and local attributes will become more evident in 2010, with the escalation of planned visibility activities and the broadening and deepening of the bank's network of relationship with its audiences in the country.

Santander

Global sponsorships: local drive

In 2009, the Group became the official sponsor of Scuderia Ferrari as from 2010, represented by Brazil's Felipe Massa and Spain's Fernando Alonso. This exposure ensures high visibility and the brand will be in the public eye throughout the year in an enormously popular event both in Brazil and worldwide.

Grupo Santander continues to be the main sponsor of the Copa Santander Libertadores, the most important soccer tournament in Latin America.

Greenhouse gas emissions (CO2e) generated by guests at our events and the infrastructure needed to accommodate them are all offset. Thousands of native species trees are planted in the Vale do Ribeira, located in the south of the state of São Paulo and the north of the state of Paraná, which also contributes to the sustainable development of both the region and the planet.

Santander

Life starts at 60: valuing and inclusion

The year 2009 saw the 11th edition of *Concurso Talentos da Maturidade*, a contest which encourages the elderly to take a leading role, valuing their talent (or life experience) and encouraging them to be socially active by means of the creation of relationship networks that integrate and inspire people over 60 years of age to be transforming agents via increased awareness and inclusion, free of age discrimination.

The objective of the contest, in which the Santander network participated for the first time, is increasing awareness about the aging population, given that Brazil will have 32 million inhabitants over the age of 60 in 2025, according to UNO forecasts.

Last year, the program mobilized more than 3,600 Santander and Banco Real service centers and received over 11,000 enrollments, a 10% increase compared to 2008. Participants enrolled in the categories of vocal music, literature, plastic arts and exemplary programs. The contest awarded prizes to 20 winners around Brazil.

Employees

A personal and nontransferable invitation

Santander's four strategic aspirations will only be achieved if people take part in this challenge of: being the largest bank in Brazil in terms of creation of shareholder value; being the best bank in Brazil in terms of client satisfaction; being the best bank in Brazil to work at; and creating the most admired and most easily recognized brand name among Brazilian banks.

The bank is creating a new culture, propelled by changes in attitude and a review of leadership roles. This is why individuals are at the center of our strategy, resulting in the company becoming more and more open to the participation of its employees and to the valuing of their ideas.

The starting point was the development of a new policy for the Group's employees, respecting the best of the two banks, cultures and attitudes, in addition to market trends and innovations. All our employees were part of a single organization by June 2009. The systems platforms were integrated into the HR portal, facilitating the operationalization of unified policies for all the employees. There was an alignment of criteria and values in relation to remuneration, jobs and career development programs, benefits, educational programs, quality of life and the valuing of diversity.

In line with the aspiration of being the best bank in Brazil to work at, Santander put into practice strategies for career and leadership development. This initiative was put into motion by inviting 1,200 employees to discuss the commitment and model that were being launched. This was followed by a debate on ideal leader profiles for the new bank. It made no sense to develop a leadership model for Santander that would help create a new culture that was not designed by the current and future leaders themselves.

The result of this work was the co-creation of the "*Ser Líder*" (Being a Leader) program. These employees, divided into groups of 300 to 400 people, will spend a year and a half participating in learning processes including coaching, workshops and seminars. The leaderships will be prepared to inspire and engage the teams, to maintain focus and discipline and to guarantee coherence between theory and practice.

Santander also wanted to hear the opinions and get to know the views of its employees. An engagement survey was carried out in October for this purpose. As is to be expected when dealing with an integration process, the results were below the market average.

From that moment on, the bank began to draw up an action plan to bring managers and their staff closer together. In parallel, area leaders presented the results to their teams and together they discussed improvement actions for the next two years.

Santander also initiated a process of engagement dialogue that intends to involve the 52,000 - plus employees[1] in two - hour meetings to reflect on and identify the role of each individual in improving engagement in the organization. The discussions on the bank's action plan and the results of the survey are posted on the "*Círculo Colaborativo*" (see box), as a means of encouraging debate and collective creation.

The challenge of engaging the teams becomes greater when more than 40% of the employees are representatives of Generation Y, as people born in the 80s and 90s are called. The millennial generation, as they are also known, log onto the internet early and spend the day surrounded by electronic media devices such as TV, cell phones, radio and videogames, most of the time all at once. It is a more questioning generation, autonomous, impatient, and one that wants to know the meaning of work and that appreciates the value of personal life.

Grupo Santander

[1] Includes Banco Santander (Brazil) S.A., its subsidiaries consolidated in the balance sheet and certain subsidiaries of Banco Santander, S.A. (Spain) headquartered in Brazil. Excluding the subsidiaries of Banco Santander, S.A. (Spain), the figure was 51,241 employees.

Pisco Del Gaiso

One of the consequences of this new face of society is the bank's decision to revamp its trainee program, moving from a traditional format to a relationship platform with young people, and which will be put into effect in 2010. In order to create this new proposal, the bank promoted a number of debates and activities with university students all over Brazil, with the aim of finding solutions that promote interaction and dialogue in an agile, transparent and collaborative manner.

International experience is also another demand of this generation. Besides being a competitive tool, global presence is also a differential of Santander. The bank runs two international mobility programs, in addition to expatriation processes, standard at a global company like Santander:

- Step (Santander Executive Trainning Program): a global program aimed at young employees at the beginning of their careers who are capable of leading projects, areas or business abroad, in addition to being willing to live in other countries for a certain time. It is an annual event that benefited 10 Brazilians in 2009;
- FUDs (Futuros Directivos): a mobility program of the bank's operations in the Americas. This program is aimed at employees with an international career profile, and has two distinct modalities: Dir Red targets superintendents and directors, whilst Top Red targets executive directors and vice-presidents.

Pisco Del Gaiso

Proud to be a part of it

Santander created its own social network in 2009. Using the *Círculo Colaborativo*, the 52,000 – plus employees, regardless of hierarchy, now have an area to express their opinions, put forward ideas and interact with colleagues from different areas, including bank executives. The *Círculo Colaborativo* is a new channel emphasizing collective creation, collaboration and the strengthening of relations.

Launched in September, the network already had nine thousand users by December. Several of the debates that began on the network led to concrete results, such as the end of suits and ties in the bank's administrative areas and the introduction of casual wear throughout the week.

The *Círculo Colaborativo* also hosts Fabio's Blog (*Blog do Fabio*), on which the president Fabio Barbosa posts material on an average of every two weeks. The blog was launched at Banco Real in May 2007 and extended to Santander in August 2008 after the merger. This is an open channel for all employees in such a way as they can add comments, suggestions or express their concerns in order to promote a constructive debate and share points of view.

Fabio's Blog received more than 400,000 visits and 1,100 comments last year. Several of them put forward ideas that were adopted as practices. One example of this was the request made by an employee for access to personal e-mails in the workplace. The issue was debated and assessed by the board of directors and information security personnel. Access to personal e-mails and some social networks is now available.

Pisco Del Gaiso

Diversity enriches our lives

We attempt to include the diversity of perspectives, points of view and life experiences when we build our teams, as this enriches the work environment and makes us more and more capable of dealing with the diversity that characterizes all of our audience relationships. We face up to the inequalities present in society by means of stances, practices and policies that bring us closer to underprivileged and vulnerable sectors. Diversity is a complex issue and we understand that goals need to be combined with education and awareness activities and the engagement of all. This is how we are strengthening our bonds with society and creating direct benefits for business.

Our *Programa de Valorização da Diversidade* (Program for the Valuing of Diversity) was designed to improve the quality of relationships and works with the possibilities that diversity of gender, race, age, sexual orientation and the inclusion of handicapped people offers us. By using these learning processes, we can improve communications with our different audiences and think about products and services that meet the expectations of all. It is in this context that we comply with the existing legislation in relation to the promotion of equality, to respecting differences, to quotas for some sectors, to affirmative actions for correcting imbalances and to combating all forms of harassment or discrimination. In order to speed up our learning processes and to ensure greater legitimacy, we have formed dialogue groups which deal with a series of issues related to the valuing of diversity, increasing collective collaboration and facilitating the contact with the topics that are being discussed by society. The initiatives are coordinated by the Diversity Committee with the support of the management of the Human Resources Department.

Some of the highlights of the program in 2009 were the graduation of the second group of 75 black trainees in the Junior Executive program, a Santander partnership with the *Fundação Getulio Vargas* (FGV) and Unipalmares, and the participation of the bank in the Febraban program for the training and inclusion of handicapped people. 90 of the 127 Santander participants have already been hired by the bank. The rest are completing the training program, which includes adult learning and instruction in banking routines.

Clients

A bank nearer you in 140 characters

In December 2009, Santander officially joined Twitter, one of the biggest social networks in the world. Through its presence on this global microblog service, the bank wishes to interact with its clients in a closer and more human manner, offering content and information that add value to society, such as: financial guidance, sustainability, entrepreneurship and culture.

Twitter @santander_br is also an efficient and agile channel for receiving queries, complaints, suggestions, comments and praise. The channel includes the active participation of SAC (Consumer Support Service), strengthening relations and ensuring rapid, efficient solutions. SAC dealt with 90 client requests in the first month the tool was used. The vast majority of these interactions were statements from clients with problems exposed to the media, which were immediately taken up by the bank and resolved within a few hours.

SAC and the Ombudsman (*Ouvidoria*) are the main client service channels. The two activities are maintained under the same management in order to obtain synergies and agility in the interaction between the channels. The structures and platforms of the SAC and Ombudsman department systems of the two banks, although they were unified in 2009 as a result of the merger, still handle client complaints separately, with the exception of interaction on twitter. Operations will be totally integrated in 2010, when the bank begins to operate under the same brand name.

On proposing action plans for the reduction of client complaints, eliminating their causes and improving the processes, SAC and the Ombudsman contributed to Santander registering lower levels of complaints at the Central Bank of Brazil throughout 2009, being ranked outside the top five places for six times between January and December.

The average time taken to deal with complaints has been less than that established by the consumer defense organs, as in the case of the client response time at SAC, which, by law, is five working days, whereas our average is three working days. In the case of our Ombudsman department, this deadline is set at seven working days, whereas the deadline set by the Central Bank of Brazil is 30 days.

One of the goals of integration is to improve client service indexes, part of the quest to be the best bank in terms of client satisfaction. Everything has been planned so that clients will realize how they will benefit from the union of the two banks, by means of a more human and closer relationship, and so that they are inconvenienced as little as possible.

The results of the surveys show the bank is on the right track. Three approaches were carried out quarterly over the year with over 12,000 clients to measure their perception of quality of the service channels, including ATMs, call center, Internet, branches, credit cards and SAC. The numbers confirm the increasing trend of satisfied Santander clients, principally regarding client service in the branches, as well as the reduction in unsatisfied Banco Real clients, which means that the strengths of the relationship are being improved.

Pisco Del Gaiso

Society

A possible path

Santander, along with other companies, wishes to reinvent its business in a profitable and innovative manner, incorporating care for the environment and society into its financial results. Investment in sustainable practices allows companies to create new business opportunities, to reduce costs and to diminish risk exposure while contributing to the creation of a better society, and fostering improved and longer- lasting relationships.

This was the reason for continuing with the *Espaço de Práticas em Sustentabilidade* (Space for Sustainable Practices) program, also known as *Práticas*, created by Banco Real in 2007. This pioneering initiative is a structured engagement process for corporate clients and suppliers, as companies play a key role in the viability of sustainable development.

The bank systemized everything it had learned over the past decade in classroom and online training programs to provide companies with access to information and experiences they can use to review their practices with sustainability in mind. The leaders and entrepreneurs of these companies are invited to participate in the training activity *Sustentabilidade na Prática*: (Sustainability in Practice: Pathways and Challenges), where executives talk about the knowledge they have gained and the challenges they faced along the path to including sustainability in bank practices. Training activities last for two days and the participants receive guidance and create an action plan for the inclusion of sustainability in their business. They can also use an exclusive area on the Práticas website to share experiences.

The *Espaço de Práticas em Sustentabilidade* website, an online channel available for all at www.santander.com.br/sustentabilidade and www.bancoreal.com.br/sustentabilidade received over 1.4 million visits in 2009, an indicator of the evolution and increased interest of society in the subject. Video chats were partly responsible for this performance, including the one about financial education in childhood, an activity aimed at parents and teachers in a partnership with the *Brincando na Rede* website. The launch of an online course introducing the character Roberto, an ordinary citizen who gradually discovers a new way of thinking and behaving in everyday life, was also well received. The course is presented in a movie format, divided into three chapters complemented by quizzes and texts, in case participants want to go deeper into the topics (see box).

In 2009, the *Práticas* program held 12 classroom modules of the Pathways and Challenges program in several Brazilian cities, mobilizing around 1,400 leaders from 800 companies. A workshop inspired by the program was also held during the 15th United Nations Climate Change Conference (COP-15) in December, in Copenhagen, Denmark.

The *Práticas* program also has an Advisory Council, headed by the president of Santander, Fabio Barbosa, and made up of leaders from several sectors of society to assess future initiatives of the project and to share knowledge in order to multiply actions.

In capital letters

In 2009, visually impaired Santander clients were able to access bank balances in Braille, a service that had been available at Banco Real since July 2008. As from 2010, all banks will offer this service, based on an agreement signed between the Public Prosecution Service and the Federation of Brazilian Banks (Febraban). More than merely anticipating mandatory compliance with regulations, this initiative is a question of client loyalty and social inclusion. In addition to Braille bank statements, we can also offer display panels with amplified letters, numbers and symbols and larger spaces between the letters and lines for the short-sighted.

Santander

Sustainability without boundaries

TIM Brasil was one of the companies engaged by the *Práticas* program. According to Filipe Abitan, a development and training consultant, making employees aware of sustainability is an indicator of the telephone operator's target plan. "Roberto's course has helped us in this challenge. The issues are presented in a light-hearted, responsible way. Seriously, but using informal, easy-to-understand language", he assesses.

Filipe says that the Roberto videos were used in an online training activity on sustainability, which presented the evolution of the concept, TIM's activities and programs, in addition to the initiatives that people and organizations can take from sustainable development.

Over 2,000 TIM Brasil employees completed the course. Feedback has been positive: the satisfaction rate among participants is 95%. "We received more than 600 comments, which, in general, praised the initiatives, the video and the possibility of learning and reflection", says Filipe. The material was included in the integration program for new employees. "This support has enabled us to pass on the message we want".

Suppliers

Two-way trust

In 2009, the *Parceria de Valor*, a document created by Banco Real to serve as a guide for relationships between the bank and its suppliers and which outlines the main guidelines for this relationship, was reviewed and relaunched.

In order to further support the relationship with this audience, the first version of the *Canal do Fornecedor* website was launched with information for companies that already have a supply contract for products and services or for those that would like to work with the bank. Examples of sustainable practices can be found on the website, as well as an area for submitting suggestions, complaints or reports.

The formation of a solid bond with suppliers implies a differentiated view of the characteristics of each one and their impacts on the bank's business. The various categories of suppliers were therefore grouped into three segments, based on the analysis of the criticality of the supplied products and/or services to the bank's business, the complexity of the supply market and the financial amounts involved. This segmentation establishes the classification and management model to be assigned to each supplier.

In 2010, executives from 58 companies whose activities have a significant impact on Santander participated in the event *Construindo Parceria com Fornecedores* (Creating Partnerships with Suppliers), where they were able to get to know the bank's strategic objectives and share their opinions on the management processes with president Fabio Barbosa.

An example of how this relationship of trust and respect can be put into practice was the refinement of the accounts payable process. What seemed trivial turned out to be a question of honor. Every month, the bank receives around 30,000 invoices, and at the beginning of 2009 it was ascertained that approximately 39% of them were paid overdue. At the end of the year, only 0.5% of the invoices received every month were overdue. In order to reinforce punctual payments, Santander began to correct overdue invoices using the average interest rate variation of the *Certificado de Depósito Interbancário (CDI).*

Technology

Technology at the service of efficiency

The technology model adopted by Santander is focused on clients and support to business objectives. The adequate management of this asset is vital for operational efficiency, resulting in more agility, organization and control of the processes. Total investments in information technology in 2009 amounted to R$ 630 million, 50% more than in the previous year.

The total integration of the information technology processes and systems should be concluded in 2010 upon the merger of the branch networks. Over 1,400 system development projects will have been implemented by then. In order to monitor and manage all of them, Isban (a Santander global information technology solutions company) developed a specific governance process for integration, linked to the Plano Único, a new project management tool launched in 2008.

This tool makes it possible to monitor the evolution of each stage of integration and carries out rapid analysis for decision-making. Furthermore, it is based on this tool that Produban (a global Grupo Santander technology infrastructure and data processing company) draws up its action plans in conjunction with the bank's systems homologation area. Produban is in charge of the network unification process and the implementation of the technological infrastructure of ATMs, in addition to the modernization of the administrative buildings and the migration of the call-center platforms.

Technology management carried out by specialist companies belonging to Grupo Santander enables the bank to gain global scale.

Bits and bytes of integration

- Data Centers. These will be concentrated in two locations after the merger. The network environment encompasses a system of authentication and authorization based on mainframe infrastructure, an internal network protected by a complex set of firewalls, continuous monitoring of incoming traffic and protection of work stations with antivirus software.

- Data communication. The bank is modernizing its data communications infrastructure in order to attain a greater bandwidth.

- Client service centers. In addition to rendering services to clients, these telephone client service centers carry out activities of credit recovery and sales.

- Branches/ATMs. As from 2009, the clients of both banks were able to carry out the principal financial transactions, such as obtaining bank statements and making withdrawals and payments, at all the Santander and Banco Real branches and ATMs.

- Data processing environment. In order to boost efficiency, the bank reduced the number of servers (from 4,000 to 1,500) and shutdown some platforms.

- End-user systems. The bank updated its end-user systems, with the objective of standardizing the hardware and operating systems for all its employees.

Pisco Del Gaiso

IT can be green too

In addition to improving the efficiency of operations and costs, technology can also save the planet. We are closely monitoring the trends of green IT in order to use them in the bank. We intend to increase the use of energy-saving computers that require less raw materials (and recyclable) and occupy less space during transportation.

Our data processing center displays the EnergyStar and Procel stamps, proof of energy-efficiency. We also have a room for our CPUs, increasing the security of sensitive information and reducing the use of air-conditioning.

Better individuals for a better world

From the promotion of children and adolescent rights to the incentive to innovation in universities, we are building a culture of social participation and engagement.

Pisco Del Gaiso

Social Investment

The integration of practices in private social investment also followed the rationale of taking advantage of the best in both banks. In 2009 Santander reinforced our commitment with education and consolidated existing initiatives not only in communities where the Bank operates but also where social indicators suggested the need for transformation.

The Bank believes that collaborative action can make a difference. To that effect it establishes alliances with governments, businesses and organizations in the civil society to enhance the social outcome of initiatives and strengthen public policies. Working together also means involving employees by engaging them in the cause and encouraging volunteer work. It's a path where everybody wins: individuals that exercise citizenship become sensitive to the different audiences and begin to consider social and environmental aspects in their daily work by creating an organizational culture focused on sustainability.

One of the main examples of this belief is the *Projeto Escola Brasil* (the PEB), selected as the corporate volunteer program by the Bank. Through the volunteer action of employees, family members, clients and other stakeholders, PEB contributes for the improvement of public education by strengthening the school ties with the community it belongs. The project has been developed and managed by the *Instituto Escola Brasil* (IEB), a public-interest non-governmental organization (OSCIP), and it is funded by Santander.

PEB was created by Banco Real in 1998, and was presented to Santander employees in 2009, who immediately adhered to the program. The outcome couldn't have been better: at the end of 2009 PEB had 49 new groups comprised by 569 employees, 42 of them working at the Santander branches. Currently more than two thousand employees participate in the program, organized in 208 volunteer groups working in 170 schools throughout Brazil.

Pisco Del Gaiso

Our role as individuals

Sérgio Macedo, the executive superintendent of the Santander VIII network, was one of the key players in the development of the *Projeto Escola Brasil* (PEB) in 2009. The region under his leadership includes the state of Paraná, Santa Catarina and Rio Grande do Sul, and is the largest region for the Bank in Brazil. When he watched the presentation on PEB for the first time, Sergio realized that the project had a key differential: not only did the structure ensure support to public schools but it also involved a well-planned logistics, with the engagement of all.

"From that moment onwards I began to own the PEB. I presented it to my team who, in turn, also bought in the idea" – says he. "They organized themselves in groups because they wanted to participate, become volunteers while assured of working on something with proven success". As the project became more widely known the number of volunteers grows. At this moment the Santander VIII network has 17 volunteer groups.

For Sergio, this mobilization generates a feeling of togetherness, engagement and of belonging to an organization that goes beyond financial services. "This is an exchange: PEB benefits people who do good while increasing awareness and the clear understanding of the concept of sustainability", adds he.

Nathalie Schneider

Santander

Beyond taxes

The quest to meet the basic needs of children and adolescents was already part of the Santander and Real history. Whilst the former sponsored the *IR Solidário* project, the latter had the Amigo Real. Both initiatives helped direct a part of the Income Tax due by individuals and businesses to City Funds for the Rights of Children and Adolescents (*Fundos Municipais dos Direitos da Criança e do Adolescente*). In 2009, both programs merged under the name *Amigo de Valor*, and raised R$ 6.9 million in funds. The amount was invested in 31 cities and towns located in 17 Brazilian states. A total of 25.4 thousand people among employees, clients, suppliers and businesses participated in this edition of the program.

In 2009, 45% of employees helped raise funds. *Amigo de Valor* also includes the engagement of employees who were organized into work groups to review the projects enrolled by local committees; then they visit the cities and decide on which projects will be sponsored.

In addition to the financial support the program helps strengthening the role of local committees via the training of the teams involved in the project. Throughout the use of funds period the group participates in workshops that provide a systemic outlook of project management and the local prospects in connection with the city's role to ensure child and adolescent rights. Indicators that assess outcomes are discussed in the workshops, including the alternatives to change the direction of a project while in progress as needed. Each initiative will receive support for up to 3 years according to the results it presents.

Lessons for life

Wilson Roberto Batista, the general manager of the branch at the *Associação de Comércio Industrial* (ACI), in the city Araçatuba, upstate São Paulo, came from a humble origin. In 1989, when he was seven years old, he used to stay at the *Creche do Rui* daycare center, currently sponsored by *Amigo de Valor*. In 1996 he started to develop activities in music and did some work at the center's office.

"From 1996 to 2000, the social work I developed at *Creche do Rui* enhanced my development in interpersonal relationship and reinforced the values of family and everyday responsibility", says Wilson. In 2000, he entered the Business Administration graduate course and with the money he received from the daycare center he paid his college tuition. In 2001, he was recruited by Santander as an intern and became a regular employee three years later. To date he has had a number of positions in Araçatuba.

"My trajectory is based on the concepts and principles I learned from my family and were reinforced by my work at the *Creche do Rui*. I learned how to pursue my dreams with lots of determination, taking the right paths while meeting people who opened doors for me", added he. "The *Amigo de Valor* initiative is rather important for entities such as *Creche do Rui*; not only does it contribute to social causes but also to change behavior in individuals. The program is very well conducted and that is why I believe it is here to stay" prophesizes he.

Pisco Del Gaiso

Change of route

The *Canto da Escola* stores, sponsored by *Instituto Escola Brasil* with offices in three Banco Real buildings in the city of São Paulo, were discontinued in 2009. In the almost ten years of their existence, they helped disseminate the concepts of sustainability and ethical trade in the Bank while strengthening hundreds of communities that produced the items sold in the stores.

The café and the flower shop at *Alameda das Flores*, located by the old Banco Real headquarters, at *Avenida Paulista*, were also discontinued in October. At the end of 2009 new improvements were made at the location such as the increase in the number of light poles, change of garbage cans and painting. The decision to discontinue both projects resulted from an assessment of the activities based in goals and results.

The past experience continues to inspire the Santander commitment with the communities it is part of, including the neighborhood of the new headquarters at Vila Olimpia, in the city of São Paulo. Currently the Bank is working in a partnership with the entity *Águas Claras do Rio Pinheiros*, a not-for-profit organization with local businessmen as members in an effort to promote the environmental recovery of the River Pinheiros and its affluents. In addition, improvements were made to the *Parque do Povo*, in the neighboring area of *Torre Santander*.

Women as entrepreneurs

In addition to its education projects, sponsoring entrepreneurship programs is a strategic guideline for the Bank. That is why the Bank restructured the existing *Parceiros em Ação* program in order to implement social projects to support micro-entrepreneurs and community groups engaged in business activities created and led by women.

The goal is to generate income by promoting leadership, association and cooperation with focus on environmental issues and in order to develop conditions so that the project outcome may have continuity and long lasting impact in the medium and long term.

In 2009, the program, with the additional support of *Aliança Empreendedora*, a NGO acting in entrepreneurship development, integration and support programs, totaled 225 projects enrolled throughout Brazil. From this total five were selected to receive funding and technical training. In 2010 Santander employees will act as "social mentors" by providing support and consulting to manage these enterprises.

University cooperation

Santander's Rede Universia is a network integrating 1,169 higher education institutions in 23 countries in Latin America and the Iberian Peninsula in order to provide services to universities and support for common projects. The key integrating element in the network is the Universia portal, which develops free content and services for the academia for a total of 13.5 million students and teachers.

A number of initiatives were promoted by *Universia Brasil* in 2009 in order to stimulate debate about higher education in Brazil by involving the academic community in actions promoting education. Within the *Observatório* line, in a partnership with IBM, Universia inaugurated the English Language Self-Learning Lab at the *Universidade Federal de Minas Gerais* (UFMG). The initiative helps students learn English in order to promote their academic mobility. At the *Universidade Estadual Paulista "Julio de Mesquita Filho"* (Unesp), Universia implemented the Language Self-Learning Lab at the IBILCE (The Biosciences, Humanities and Sciences Institute).

In a partnership with the *Pontifícia Universidade Católica do Rio de Janeiro (PUC-Rio) Universia Brasil* organized the "*Innoversia e os desafios da inovação*" (Innoversia and the challenges of innovation) seminar, which highlighted the benefits of the Universia portal, created to promote a closer relationship between corporate technological innovation needs and the capacities of researchers and scientists in Latin America and the Iberian Peninsula. Universia promoted jointly with Serasa Experian a meeting with 150 participants to encourage the participation of researchers in a program that grants scholarships for those involved applied research.

Universia also promoted two important meetings to discuss higher education. One of them was the "*Seminário Novas Tendências em Ensino-Aprendizagem*" (The New Learning Trends Seminar), at the *Universidade Federal do Rio Grande do Sul (UFRGS)*, with 175 delegates. The second meeting "*A Responsabilidade da Universidade Brasileira como Agente de Coesão e Inclusão Social*" (The Role of Brazilian Universities as an Agent for Social Cohesion and Inclusion), counted on the presence of 30 deans of the *Associação Nacional dos Dirigentes das Instituições Federais de Ensino Superior (Andifes)*, an organization for managers of higher education institutions. The discussion, which took place in Belo Horizonte, was the preliminary event to the "*II Encontro de Internacional de Reitores Universia*" (the Second Universia International Meeting for Deans), to be held in Guadalajara (Mexico) in 2010.

Through the OpenCourseWare (OCW), a virtual space that makes available class materials for higher education students, the Universities that are partners with Universia can become part of a large network for the dissemination of academic knowledge, including some of the best universities worldwide. In Brazil 22 key universities have become signatory of the project.

In order to create a bridge between students and the job market, promoting employability, Universia announced the service "*Universia Emprego*" during the 15th Recruiting Week at the Mackenzie Presbyterian University.

In order to develop the creative talent of university students, Universia sponsored initiatives such as the U>Rock, the first Iberian-American college band contest, with over 1,100 participating universities and colleges in Iberian America. Among the actions to promote creative idleness are the *Fototalentos* photography contest for college students, which had 1,438 enrollments in Brazil, and the Copa Universia, the first international soccer tournament organized by the entity in Uruguay.


Renato Marques


Paulo Uras

Della Rocca

Entrepreneurship and innovation

The 5th Edition of the Santander Entrepreneurship and Science and Innovation Awards (*Prêmios Santander de Empreendedorismo e de Ciência e Inovação*) sponsored by *Santander Universidades* under the development and management of *Universia Brasil*, awarded eight winners. Each winner received R$ 50,000. The winners were selected among 20 finalists throughout the Country and they received the honors in ceremonies that took place in the cities of Porto Alegre, Recife and São Paulo.

Demercil de Souza Oliveira Junior, a doctor and researcher from the *Universidade Federal do Ceará (UFC)*, won the Santander Science and Innovation Award in the Industry category. He developed a project to expand the local distribution of electric energy to distant places through wind-power throughout Brazil.

According to the engineer, this action is made feasible from the improvement of a battery charger for small wind turbines. The great advantage of this equipment is its capacity to draw a maximum volume of electricity from wind power systems whilst the chargers used currently are not very resistant, which is a vulnerability for the service to be supplied.

He suggests the commercial production of a system that provides enhanced performance in the distribution of electric energy by a wind power source and highlights the public importance of this initiative. "The project can enable the use of small wind power systems for consumers that are far from the regular electric system, and in particular may support the "*Luz para Todos*" (Electricity for all) program sponsored by the Ministry of Mining and Energy, focusing on the universalization of electricity in the country", added he.

The project relied on the cooperation of students from the *Grupo de Processamento de Energia e Controle (GPEC),* one of the extensions of the Electric Engineering Department (DEE) of the UFC. With the award, Demercil plans to invest in the production of ten prototypes and distribute them to international manufacturers for evaluation.

The 2009 Edition of the Santander Entrepreneurship and Science and Innovation Awards had 2,116 enrollments, an 11% growth year on year. The objective of the awards is to encourage an entrepreneurial action and the scientific research in the academia while revealing new talent that will benefit the Brazilian society.


Marian Starosta

Cristine Rochol


Rene Cabrales


Nathalie Schneider

Cultural Investment

A commitment with culture

Santander invests in cultural activities via partnerships that value creativity, respect the local culture and contribute to social transformation. In 2009 the initiatives in this area were consolidated and grouped into three fronts: collection, sponsoring and the Institutos Culturais, located in Porto Alegre (*Santander Cultural*) and Recife (*Instituto Cultural Banco Real*).

The art collection was integrated in 2009, and is comprised of important works of art by Brazilian artists covering the decades of 1940 and 1970. The sponsoring is focused on the support to educational programs and to encourage cultural production.

The Institutos Culturais, in turn, maintained their focus on the development of the cities and regions where they are located by widening the access of the population to cultural goods and services and promoting local art with a global vision. Santander Cultural, in Porto Alegre, received 210,000 visitors in all of its areas. The institute had an extensive schedule in visual arts in 2009, with 144,000 visitors in this area. In addition to the unique exhibition *Reflexio – Imagem Contemporânea na França*, included in the official commemorations of the Year of France in Brazil, with important names of contemporary French photography, the exhibition Projetáveis, which was part of the *7ª Bienal do Mercosul – Grito e Escuta*, was the highlight of a partnership that has been promoting for eight years one of the most prestigious bienais (art exhibitions that take place every two years) in the country.

We also highlight the strategic program for the creative development of cities with the international seminar Seminário Internacional *Porto Alegre Cidade Criativa*, as a result of a partnership with the city government, UNESCO and approximately 15 partnerships, including Spanish and Brazilian professionals to discuss new paths for the sustainable development of the city of Porto Alegre. The institute also promoted and hosted the ceremony to grant the awards to the winning projects of the VI *Concurso de Desenvolvimento de Projetos de Longa-Metragem* (a feature film project contest) and the activities in connection with the *55ª Feira do Livro de Porto Alegre* (a book fair in Porto Alegre) including events for schools, autograph sessions, lectures, workshops, performances and film sessions.

The *Ouvindo Música* (Listening to Music) project totaled 31 concerts in 2009, with an audience of 5,800. The *chorinho, choro* and *samba* (local music genres) workshops in the *Fazendo Música* project involved a group of important producers, musicians and players in order to divulge this musical genre in the state. The *Cine Santander Cultural* attracted an audience of approximately 16,000 people in a partnership with the *Casa de Cinema de Porto Alegre* focused on the attraction of audiences and with the participation of filmmakers, actors and producers in discussions such as commented sessions, previews, courses and festivals. Educational sessions such as workshops, individual meetings with teachers, mediated visits and workshop activities involved more than 22 thousand people in 2009.


Fernando Gomes

In Recife, visual art activities, including exhibitions and educational services had more than 42,000 visitors to galleries and to the *Instituto Cultural Banco Real (ICBR)*. Among the highlights are the two editions of the *Projeto Contemporâneos Pernambucanos*, including the Marcantonio Vilaça collection and the photo exhibition *Impressões Visuais* to commemorate the 50th anniversary of the Fulbrigth scholarship US-Brazil program.

Other important exhibitions were *O céu de Pernambuco na terra dos maracatus*, presenting the works of Pernambuco-born artist and photographer Carlos Assunção Filho, aka Cafi, and the exhibition A arte do barro e o olhar da arte which brought a series of 109 photographs, many of them showed for the first time, by Pierre Fatumbi Verger, with the objective of celebrating the centennial of Vitalino Pereira dos Santos, known as *Mestre Vitalino*.

In 2009, the *Instituto Cultural Banco Real* hosted the lauch of *FUNARTE's Arte e Patrimônio em Pernambuco* and started to promote educational activities. Among them, there were two editions of *Oficina Fazer e Pensar Arte*, based on the Marcantonio Vilaça collection. In the first year of activity, 338 people participated in the activities, including public and private school teachers, artists, opinion leaders, educators, social workers and psychologists.

In music, the choir meeting in commemoration of 90 years of the town of Moreno (PE) and the festival *Juntos por uma vida melhor* – Atmosfera musical attracted an audience of 1.9 thousand people in 2009. Two book launches were also promoted at the Institute during the year. *Vidas Escondidas*, by Tereza Viana Costa Carvalho, and *Os Girassóis*, by Garibaldi Otávio, attracted 552 visitors to the ICBR galleries.

We have changed address: high technology and environmental pride

Santander's new administrative headquarters in São Paulo is an example of how it is possible to combine modernity, well-being and respect for the environment.

The *Torre Santander*, held as a symbol of the integration process, serves as a work and meeting place for a part of the Group's employees. Located in south São Paulo on the bank of the river Pinheiros and close to the *Parque do Povo*, the 28-floor building was designed to provide comfort and well-being for its employees, combining technology with respect for the environment.

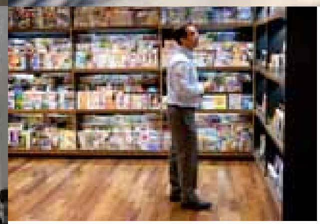
The building has a capacity of 6,500 people. The distribution of workstations was designed in such a way that everyone can enjoy the view through the windows. There are no partitions or walls separating areas or people, including directors. The building's facilities include restaurants, a fitness gym, a travel agency and a library, to name a few. As far as the bank is concerned, comfortable working conditions generate greater engagement, a sense of belonging, and consequently, greater productivity

In order to comply with standards of accessibility, meetings were held with minority groups and some suggestions were incorporated into the project. One of these was the enlargement of instructions in Braille and of the areas with tactile floor tiles.

Furthermore, the restroom door openings and the height of the ID tag sensors were also redesigned in order to improve access for people suffering from dwarfism and wheelchair users.

Flavio Cecere, a business operator at Aymoré Financiamentos, participated in this initiative. "I admire the bank's policy of including handicapped people both inside and outside the company. When you have no contact with handicapped people, you often unintentionally overlook these points of improvements", remarks Flavio, who uses a specially adapted car to get around São Paulo. "The customers I visit are very receptive and visibly pleased to see me engaged in my work", he declares.

Pisco Del Gaiso



Eco-efficiency

Comfort in the workplace is guaranteed by automatically regulated lighting and air-conditioning systems, which also ensure energy efficiency. The windows are lined with a protective film that reduces solar heat by 80%, the computers have energy efficient LCD screens, and the furniture is made of certified wood. In addition, rainwater is captured and reused for watering the building's gardens and in toilet systems, which are equipped with vacuum flushes. The printers are operated with an access control card (ID badge), thus avoiding waste and ensuring confidentiality of information.

Selective garbage collection enjoys the collaboration of the employees, who separate the materials on their desks. The final sorting is carried out by a company that sells and donates part of the waste to waste picker cooperatives. In 2009, the income from the sale of paper was passed on to social initiatives sponsored by the bank, such as the *Projeto Escola Brasil (PEB)* and *Apabex (Associação dos Pais Banespianos de Excepcionais)*.

All these practices led to the Torre Santander being awarded the ISO 14001 certification, meaning that the environmental management system meets the requirements set forth in the standard. A further six administrative buildings in São Paulo and Belo Horizonte, along with our Fernando de Noronha branch, have been awarded this certification.

In 2009, *Papa-Pilhas*, a battery and cell phone recycling program, collected 155.5 tonnes of this type of waste from the 2,062 collection points located in the branches of both Santander and Banco Real, in addition to schools and the headquarters of partner companies.

Pisco Del Gaiso

I'm going by bike

It is impossible to talk about São Paulo without mentioning its chaotic traffic. Mobility is now one of the city's greatest challenges. We could not remain oblivious to this fact on deciding to relocate the administrative headquarters of the bank and consequently interfering with the routine of most of the employees and people who walk on the streets around the building on a daily basis.

We sought out solutions to reduce this impact and to promote the quality of life and a healthy co-existence with the city. We strove to encourage the use of public and collective transport and scheduled the arrival and departure times of employees to avoid traffic jams and crowds during rush hour periods. We also created the *Carona Amiga* project (Friendly Ride), which offers 300 personalized spaces in the Torre Santander parking lot for employees who give colleagues a ride to work. There are 115 vehicles registered on the program, transporting 303 people.

The building also has a bicycle park for whoever prefers this type of transport. One of the 30 employees who have already chosen this option is Paulo Mathias, network communications coordinator. "I'm exercising, I'm not polluting the atmosphere and I'm saving money at the same time", he explains. Dressed in cycling gear, it takes Paulo around 40 minutes to ride from his home in Morumbi to the bank in Vila Olímpia. He leaves his work clothes in a locker in the *Torre Santander* changing rooms, which are also equipped with showers. "I thought the Santander initiative was fantastic. I have always wanted to work at a company with this type of profile", he declares. "My advice to whoever wants to go to work by bicycle is to be vigilant and careful. You need to choose the right route and quiet streets, so that there is somewhere you know to take shelter in the case of unforeseen events (rain or falls)".

Alliance for the climate

Santander has initiatives that help minimize the impacts on climate change, both in the management of the eco-efficiency of its activities and in its role as a financial agent.

In 2009, it joined the *EPC* initiative – *Empresas pelo Clima* (Companies for the Climate) promoted by the *Fundação Getulio Vargas*. The idea of the project is to operate as an entrepreneurial platform for the mitigation and adaptation to climate change by supporting strategies, policies and systems for the management of greenhouse gas emissions, and by promoting support for the regulatory milestone for a low carbon economy in Brazil. It also became a sponsor of the Carbon Disclosure Project Brazil (CDP Brazil), a project aimed at collecting and divulging information on policies of climate change adopted in the various business sectors of the economy.

In 2009, the bank invested in the inventory of its greenhouse gas emissions based on the Brazil GHG Protocol, standardized and adapted to Brazilian reality, especially concerning issues related to the energy and fuel matrix. As from 2010, these emissions will be offset by the Floresta Real project, which includes the planting of 60,000 native species trees in degraded regions with a low HDI (Human Development Index).

Pisco Del Gaiso

White or recycled paper?

Santander's eco-efficiency actions are also present in the daily offer of services and products. After careful analysis, the bank decided to adopt a mixed policy, using white or recycled certified paper for the printers and printed material for customers. This includes check books, consolidated account statements and collection and changes in credit limit notices. This type of paper is the result of the adoption of sustainable practices from planting to processing, with an environmental performance equal to the recycled paper. When making this decision, the bank took into account the evolution of the paper industry, which has incorporated alternatives for cleaner production and a guarantee of the origin of the pulp.

As the proposal is also about reducing and reusing, we developed the grouped payment slip for corporate customers, which enables up to four billings to be printed on one sheet of paper. Individual customers may also opt for the service of receiving checking account statements and credit card invoices by e-mail.

Santander in the World

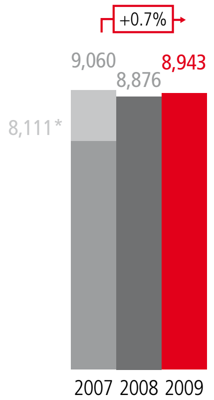
Main figures of the Group

Balance sheet and income statement (€ Million)	2009	2008	% 2009/2008	2007	2007*
Total assets	1,110,529	1,049,632	5.8	912,915	
Customer loans (net)	682,551	626,888	8.9	571,099	
Managed customer funds	900,057	826,567	8.9	784,872	
Shareholders' funds	70,006	63,768	9.8	51,945	
Total managed funds	1,245,420	1,168,355	6.6	1,063,892	
Net interest income	26,299	20,945	25.6	14,443	
Gross income	39,381	33,489	17.6	26,441	
Net operating income	22,960	18,540	23.8	14,417	
Attributable profit to the Group	8,943	8,876	0.7	8,111	9,060
Ratios (%)					
Efficiency (with amortization)	41.7	44.6		45.5	
ROE	13.90	17.07		19.61	21.91
ROA	0.86	0.96		0.98	1.09
RoRWA	1.74	1.86		1.76	1.95
Core capital[1]	8.6	7.5		6.3	
Tier 1[1]	10.1	9.1		7.7	
Ratio BIS[1]	14.2	13.3		12.7	
Tangible capital/tangible assets[2]	4.3	3.6		3.4	
Ratio of basic financing[3]	76.0	75.1		74.9	
Non-performing loan (NPL) ratio	3.24	2.04		0.95	
NPL coverage	75	91		151	
The share and capitalisation					
Number of shares in circulation (million)	8,229	7,994	2.9	6,254	
Share price (euros)	11.550	6.750	71.1	13.790	
Market capitalisation (million euros)	95,043	53,960	76.1	92,501	
Shareholders' funds per share (euros)[4]	8.04	7.58		7.23	
Share price/shareholders' funds per share (times)[(4]	1.44	0.89		1.91	
PER (share price/attributable profit per share) (times)[4]	11.05	5.53		11.56	
Attributable profit per share (euros)[4]	1.0454	1.2207	(14.4)	1.1924	1.3320
Nominal dividend per share	0.60	0.65	(7.4)	0.65	
Dividend per share (euros)[4]	0.6000	0.6325	(5.1)	0.6068	
Total shareholder return	4,919	4,812	2.2	4,070	
Other figures					
Number of shareholders	3,062,633	3,034,816	0.9	2,278,321	
Number of employees	169,460	170,961	(0.9)	131,819	
Continental Europe	49,870	48,467	2.9	47,838	
United Kingdom	22,949	24,379	(5.9)	16,827	
Latin America	85,974	96,405	(10.8)	65,628	
Sovereign	8,847				
Corporate activities	1,820	1,710	6.4	1,526	
Number of branches	13,660	13,390	2.0	11,178	
Continental Europe	5,871	5,998	(2.1)	5,976	
United Kingdom	1,322	1,303	1.5	704	
Latin America	5,745	6,089	(5.6)	4,498	
Sovereign	722				

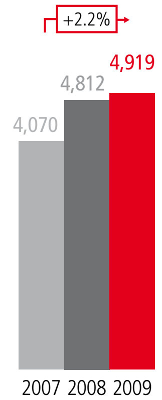
* Includes capital gains and extraordinary allowances.
1 2007 in BIS 1 criteria.
2 (Capital +Reserves +Minority Interests +Profits -Treasury stock -Dividends -Valuation adjustments -Goodwill-Intangibles) / (Total assets-Goodwill-Intangibles).
3 (Deposits+medium and long-term wholesale financing+capital)/total assets (without trading derivatives).
4 2007 and 2008 adjusted to the capital increase at the end of 2008 with preferential subscription rights.

Santander was the fourth bank in the world by earnings, with attributable profit of € 8,943 million

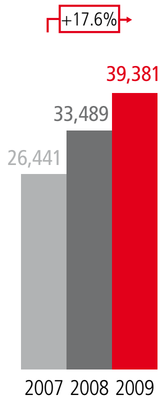
Ordinary attributable profit
€ Millions



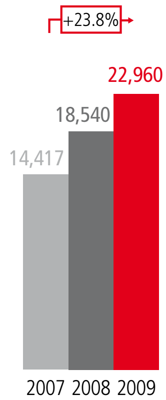
Total shareholder return
€ Millions



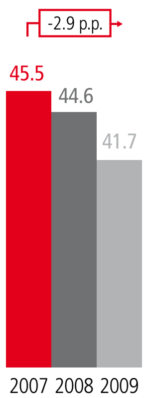
Gross income
€ Millions



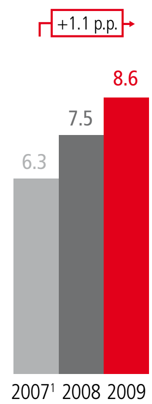
Net operating income
€ Millions



Efficiency
%



Core capital
%



*Excludes capital gains and extraordinary allowances.
[1]2007 in BIS 1 criteria.

Santander's busines in 2009

"Without doubt, the international bank that has come through the crisis the best - and taken advantage of the opportunities that have arisen from it - is Santander"

Grupo Santander results

Grupo Santander's ordinary attributable profit of € 8,943 million was 1% higher than in 2008. Santander was the only large international bank since the onset of the financial crisis that held its profit and the amount assigned to dividends.
The recurrence of gross income, which grew 18%, and strict management of operating costs produced a further gain in the efficiency ratio to 41.7% and growth in net operating income of 24%.

In an environment of lower growth in banking business, Grupo Santander focused on attracting deposits (+21%) and linking customers. The good liquidity and capital position enabled the Bank to maintain normal lending, supporting and financing the profitable projects of its individual and corporate customers. Lending increased 9%.The prudent risk management that is a hallmark of Grupo Santander was reflected in 2009 in levels of non-performing loans and coverage better than the averages of the banking sector in the three geographic areas where the Bank operates.
The € 2,587 million of capital gains obtained during 2009 were wholly assigned to strengthening the balance sheet. At the end of 2009, Santander had more than € 6,700 million of generic funds, sufficient for 2010 and 2011.

Business Model

The Bank's core/main markets are: Spain, Portugal, Germany the UK, Brazil, Mexico, Chile, Argentina and the US, organized around three geographic areas, each one with its own currency for management purpose: the euro in Continental Europe, sterling in de UK and the dollar in the Americas.

Continental Europe

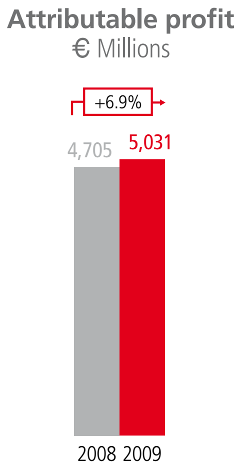
Santander generated € 5,031 million of attributable profit in Continental Europe and strengthened its leadership in this area's mainmarkets

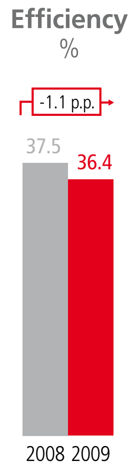
Santander is Spain's retail and private banking leader and the largest bank in Portugal by profits. It is also the consumer finance leader in Germany and in other European countries. It also has wholesale businesses, asset management and insurance in Continental Europe. Both Euromoney and The Banker named Santander the best bank in 2009 in Continental Europe.

In an environment of low economic growth and a gradual recovery in the stability of financial markets, Santander's main retail banking businesses in Continental Europe remained notably strong.

The resistance of our business units to the cycle and the excellent performance of Global Wholesale Banking, spurred by customer revenues, produced very favourable growth in gross income, net operating income and profits. Particularly noteworthy was the growth of net operating income in all the business units in Continental Europe.

Overall, the growth of this area's profits was due to revenues, mainly net interest income, and control of operating costs. As a result, the efficiency ratio, including amortization, improved by 1.1 p.p. to 36.4%.





Continental Europe	Santander Branch Network	Banesto	Portugal	Santander Consumer Finance	Total Continental Europe
Customers (million)	8.9	2.5	1.9	13.2	27.0
Branches (number)	2,934	1,773	763	311	5,871
Employees (number)	19,064	9,727	6,294	9,362	49,870
Customer loans*	115,582	75,449	32,294	56,893	322,026
Managed customer funds*	101,596	97,848	37,068	34,304	321,122
Net operating income*	3,252	1,551	726	2,976	10,312
Attributable profit*	2,012	738	531	632	5,031
Efficiency (%)	39.4	39.9	42.8	28.0	36.4

* Million euros

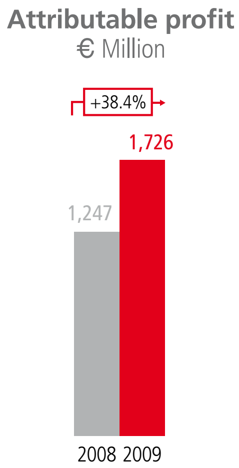
United Kingdom

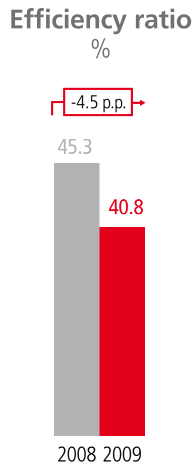
Santander UK enjoyed an excellent year and made a profit of £1,536 million, progressed in integrating its business networks and was named the Best Bank in the UK by both Euromoney and The Banker.

Grupo Santander conducted its retail banking activity in the UK via three networks: Abbey, with 720 branches and part of the Group since 2004; Bradford & Bindley (325 branches) and Alliance & Leicester (277 branches). The latter two were acquired at the end of 2008. Santander is the second largest bank in the UK by mortgage lending (market share of 13%) and the third biggest by deposits (10% share).

Santander generated £ 1,536 million of attributable profit in the UK in 2009, 55.1% more than in 2008 (+38.4% in euros). Bradford & Bingley and Alliance & Leicester made a positive contribution to these results (£ 280 million). Excluding the new incorporations and so on a like-for-like basis, Santander's attributable profit in the UK continued to show a very solid evolution (+27%).

The good evolution of results in the UK was based on revenue growth much higher than that of the market, strict control of costs, exploiting the advantages derived from the integration of businesses and a prudent lending policy. All of this is reflected in the efficiency ratio, which improved by 4.5 p.p. to 40.8%, and the non-performing loan ratio of 1.71%. Both ratios compare very well with the sector's averages.





United Kingdom

Customers (million)	25,6
Branches (number)	1,322
Employees (number)	22,949
Customer loans*	227,713
Managed customer funds*	244,731
Net operating income*	3,231
Attributable profit*	1,726
Efficiency (%)	40.8

Divulgação Santander

* Million euros.

Latin America

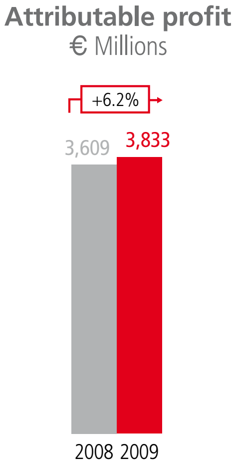
Santander posted an attributable profit of US$5,331 million (€ 3,833 million) and consolidated itself as the leading financing franchise in Latin America

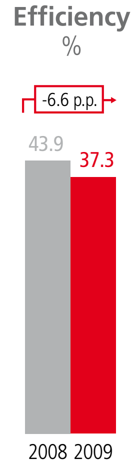
Latin America is a priority in the Group's global strategy. The region, where Santander has a 10% market share, generates one-third of the Group's attributable profit.

Banco Santander continues to contribute to the region's "bankarisation", with its customer base of more than 35 million and market shares in lending and savings of 11.5% and 9.5%, respectively.

In 2009, Santander fostered the loyalty of its customer base and optimum management of spreads, while paying particular attention to risk assets and their relation to capital.

Progress continued to be made in fine-tuning the strategy for Latin America defined in the "Programa América 20.10" and adapting it to the new economic environment. The focus was placed on a selective and moderate increase in lending, growth in deposits, linkage of customers and strict control of spending and investments. Meanwhile, the business franchise and recurring revenues continued to be strengthened.





Latin America	Brazil[1]	Mexico	Chile	Argentina	Uruguay	Colombia	Porto Rico	Peru	Total Latin America
Customers (million)	22.5	8.7	3.2	2.0	0.3	0.4	0.5	0.1	37.7
Branches (number)	3,593	1,093	498	298	42	77	130	1	5,745
Employees (number)	50,961	12,466	11,751	5,780	815	1,330	1,809	33	85,974
Customer loans*	53,924	11,489	19,379	2,754	778	1,507	3,888	249	97,901
Managed customer funds*	105,667	24,585	23,948	4,000	2,047	2,167	8,218	196	184,181
Net operating income*	7,376	1,542	1,196	417	66	67	166	9	11,071
Attributable profit*	2,167	495	563	226	51	33	33	4	3,833
Efficiency (%)	37.0	34.2	33.2	41.4	54.0	57.8	50.4	40.6	37.3

*Million euros.
[1]Data from Brazil out in this table have been prepared taking into account corporate criteria of the Santander Group and may not coincide with those published by Santander in Brazil.

United States

With the acquisition of Sovereign,Santander enters retail banking in the US.

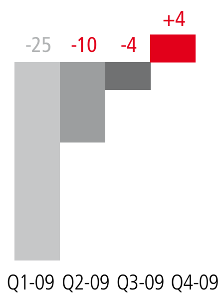
Sovereign has 722 branches, 2,359 ATMs and close to US$100,000 of customer loans and deposits.

Banco Santander's investment in Sovereign goes back to 2006 when the Bank acquired a 25% stake. In January 2009, after being invited by Sovereign's Board to make an offer, Banco Santander acquired the 75.65% it did not own. The operation was done through an exchange of shares via a capital increase, which had won the support of Banco Santander's shareholders at an extraordinary meeting.

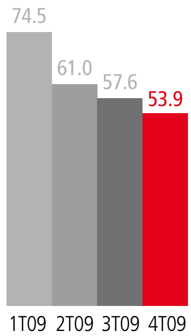
Sovereign's business model, focused on retail customers and small firms, fits very well with Santander's retail banking model, and offers a notable profit growth potential for the coming years, both through business as well as cost synergies. Sovereign's integration into the Group also enhances Santander's geographic diversification.

Sovereign concentrates on the north east of the US, one of the country's most attractive areas and which has six of the 26 largest US cities. The Bank has a significant presence in the states of New York, Massachusetts, Pennsylvania, Rhode Island, New Hampshire, Connecticut, New Jersey and Maryland.

Attributable profit
US$ million



Efficiency
%



United States - Sovereign	
Customers (million)	1.7
Branches (number)	722
Employees (number)	8,847
Customer loans*	34,605
Managed customer funds*	44,581
Managed customer funds*	582
Attributable profit*	(25)
Efficiency (%)	60.2

Santander

* Million euros.

Financial Statements IFRS

Operating and Financial Review and Financial Statements prepared in accordance with International Financial Standards (IFRS)

Financial Statements IFRS

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements as of and for the years ended December 31, 2009, 2008 and 2007 and the related notes thereto, and with the financial information presented under the section entitled "Selected Financial Data". The preparation of the financial statements referred to in this section required the adoption of assumptions and estimates that affect the amounts recorded as assets, liabilities, revenue and expenses in the years and periods addressed and are subject to certain risks and uncertainties. Our future results may vary substantially from those indicated as a result of various factors that affect our business. Our financial statements as of and for the years ended December 31, 2009, 2008 and 2007, together with the report of our independent registered public accounting firm have been prepared in accordance with IFRS. Our results of operations for periods ended December 31, 2008 and thereafter are not comparable to the respective periods prior to that date because of the consolidation of Banco Real as from August 30, 2008.

Overview

We are a leading full-service bank in Brazil, which we believe to be one of the most attractive markets in the world given its growth potential and low penetration rate of banking products and services. We are the third largest private bank in Brazil, according to the Central Bank, with a 9.2% market share in terms of assets, as of September 30, 2009 and the largest bank controlled by a major global financial group. Our operations are located across the country and strategically concentrated in the South and Southeast, an area that accounted for approximately 73.0% of Brazil's GDP in 2007, and where we have one of the largest branch networks of any Brazilian bank. For the year ended December 31, 2009, we generated net profit of R$5.5 billion, and at that date we had total assets of R$315.9 billion and total equity of R$69.3 billion. Our Basel capital adequacy ratio (excluding goodwill) was 25.6%.

We operate our business along three segments: Commercial Banking, Global Wholesale Banking and Asset Management and Insurance. Through our Commercial Banking segment, we offer traditional banking services, including checking and saving accounts, home and automobile financing, unsecured consumer financing, checking account overdraft loans, credit cards and payroll loans to mid-and high-income individuals and corporations (other than to our GB&M clients). Our Global Wholesale Banking segment provides sophisticated and structured financial services and solutions to a group of approximately 700 large local and multinational conglomerates, offering such products as global transaction banking, syndicated lending, corporate finance, equity and treasury. Through our Asset Management and Insurance segment we manage fixed income, money market, equity and multi-market funds and offer insurance products complementary to our core banking business to our retail and small-and medium-sized corporate customers.

Effects of the Global Financial Markets Crisis on our Financial Condition and Results of Operations

The global financial markets crisis has significantly affected the world economy since the second half of 2008. It has led to recessions and increasing unemployment in the world's leading economies, a reduction in investments on a global scale, a decrease in raw material prices and a sharp decline in credit availability and liquidity, as well as a general closure of the capital markets worldwide. In Brazil, however, the effects of the global financial markets crisis have been relatively moderate compared to those in the United States and Europe, and the Brazilian economy has experienced a rapid and strong recovery. After experiencing a 3.5% decrease in GDP in the last quarter of 2008 and a 0.9% decrease in GDP in the first quarter of 2009, GDP growth resumed in the second quarter of 2009, driven mostly by the strong domestic demand. The second, third and fourth quarters of 2009 had GDP increases of 1.4%, 1.7% and 2.0%, respectively. While some export-oriented companies in the raw material and certain other industries suffered revenue decreases due to decreased demand in the international markets in 2009, relatively strong domestic demand helped to reduce the impact of the global crisis on the Brazilian economy. Positive developments in the labor market and associated increases in the minimum wage, were the main drivers for the strong internal demand.

Brazilian banks are funded almost entirely by domestic deposits, which have increased during the financial crisis as funds were moved from asset management vehicles into bank deposits, which are perceived to be safer. Also, the Central Bank diminished reserve requirements and public banks increased their supply of credit. As a result, the global liquidity crisis had relatively little impact in Brazil. In addition, the credit default swap market in Brazil is still in its incipient stages and Brazilian banks may only acquire overseas credit default swaps through their non-Brazilian branches.

To date, the principal effects of the crisis on our business have been the following:

- Increased provisioning for loan losses due to expectations of increased rates of default, particularly from our small-and medium-sized corporate borrowers since the fourth quarter of 2008 through the third quarter of 2009;
- An increase in the cost of domestic funding resulting mainly from the unavailability of external funding; and
- A decrease in the rate of growth of credit volumes, particularly among individual borrowers in 2008 and corporate clients in 2009.

The global financial crisis has not had a material impact on our liquidity and capital resources due to the relatively stable economic environment in Brazil, our relatively low dependence on funding from the international markets, the strict compulsory deposit requirements of the Central Bank and a relatively large liquidity cushion we built up in response to the global financial crisis. We gauge liquidity needs on a recurring basis based on our business plans and we pursue funding actions based on anticipated funding needs. At December 31, 2008 and December 31, 2009, our Basel capital adequacy ratio as measured by the Central Bank criteria was 14.7% and 25.6%, respectively. Our securities portfolio consists mainly of Brazilian government fixed income securities, and therefore we did not have a high level of exposure to the downturn in the worldwide equity markets in 2008 and the first quarter of 2009.

Acquisition of Banco Real

On August 29, 2008, as further described in note 3 to our consolidated financial statements, Banco ABN AMRO Real S.A. and ABN AMRO Brasil Dois Participações S.A. became our wholly-owned subsidiaries pursuant to a share exchange transaction (incorpora ‹o de a ›es) approved by the shareholders of Santander Brasil, Banco ABN AMRO Real S.A. and ABN AMRO Brasil Dois Participações S.A., roughly doubling our size in terms of total assets. Principally as a result of this transaction, the number of our active current account holders increased from approximately 3.5 million to approximately 7.7 million from June 30, 2008 to December 31, 2008, and in the same period, our distribution network increased from 1,546 branches and service site units to 3,603 branches and service site units. As of December 31, 2007, Banco Real had total assets of R$112.8 billion and shareholders' equity of R$13.2 billion. With the integration of Banco Real and organic growth, we increased our loans and receivables from R$55.0 billion as of December 31, 2007 to R$162.7 billion as of December 31, 2008, and our total deposits increased from R$74.1 billion as of December 31, 2007 to R$182.3 billion as of December 31, 2008.

As a consequence of this acquisition, one of the key factors to be considered when analyzing our financial condition and results of operations as of and for the years ended December 31, 2008 and 2007 and the year ended December 31, 2009 and 2008 is the consolidation of the entities of Banco Real in our financial statements since August 30, 2008. As a result, our results of operations for 2008 are not comparable to those of 2007 and our results of operations for 2009 are not comparable to 2008. In order to analyze the organic developments in our business obscured by the effect of the Banco Real acquisition, management uses and we present in this information memorandum pro forma information for the year ended December 31, 2008 as if we had consolidated Banco Real as from January 1, 2008. For a complete presentation of this pro forma information, see "Unaudited Pro Forma Consolidated Financial Information."

In addition, to provide meaningful disclosure with respect to our results of operations for the year ended December 31, 2008, management uses, and we present, in addition to our audited results of operations for that period, certain full year 2008 financial information excluding the results of Banco Real. Banco Real was our wholly-owned subsidiary during the last four months of 2008 and this presentation is intended only to subtract from our reported results for 2008 the amounts contributed by Banco Real. This information does not purport to represent what our results of operations would have been had we not acquired Banco Real. We have not adjusted our reported results for any expenses incurred in 2008 in connection with the acquisition of Banco Real or for any revenue synergies. Management believes that any such additional expense or revenue was not material.

The following table shows our results of operations for the year ended December 31, 2008, the amounts contributed by Banco Real in that period, and our reported results less amounts contributed by Banco Real.

For the year ended December 31, 2008 (in millions of Brazilian Reais)	As reported less Banco Real	Banco Real	As reported
Interest and similar income	14,694	9,074	23,768
Interest expense and similar charges	(8,023)	(4,307)	(12,330)
Net interest income	6,671	4,767	11,438
Income from equity instruments	35	2	37
Share of results of entities accounted for using the equity method	6	106	112
Fee and commission income	3,801	1,008	4,809
Fee and commission expense	(334)	(221)	(555)
Gains/losses on financial assets and liabilities (net)	333	(1,620)	(1,286)
Exchange differences (net)	300	1,176	1,476
Other operating income (expenses)	(92)	32	(60)
Total income	**10,720**	**5,251**	**15,971**
Administrative expenses	(4,656)	(2,529)	(7,185)
Depreciation and amortization	(656)	(190)	(846)
Provisions (net)	(1,113)	(117)	(1,230)
Impairment losses on financial assets (net):	(2,864)	(1,236)	(4,100)
Impairment losses on other assets (net)	(4)	(73)	(77)
Gains/losses on disposal of assets not classified as non-current assets held for sale	6	1	7
Gains/losses on disposal of non-current assets held for sale	25	(16)	9
Profit before tax	**1,458**	**1,091**	**2,549**
Income tax	(217)	47	(170)
Net income	**1,241**	**1,138**	**2,379**

We are seeking to generate cumulative cost synergies from the acquisition and integration of Banco Real of approximately R$2.4 billion by December 31, 2011 as a result of applying best practices across the two banks, integrating the information technology platforms, streamlining banking operations and workforce, integrating outsourcing operations and centralizing management functions. In addition, we are targeting cumulative revenue synergies of approximately R$300 million by December 31, 2011 as a result of cross-selling opportunities arising from the integration of Banco Real and Santander Brasil and the implementation of best practices in customer care for each bank's historical customer base. Our ability to achieve these synergy targets is subject to a number of risks and we may not realize these synergies in the timeframes or to the extent expected, if at all. See "Risk Factors—Risks Relating to Santander Brasil and the Brazilian Financial Services Industry— We may fail to recognize the contemplated benefits of the acquisition of Banco Real" and "— Other Factors Affecting Financial Condition and Results of Operations — Goodwill of Banco Real".

Other Factors Affecting Financial Condition and Results of Operations

As a Brazilian bank, we are strongly affected by the general economic environment in Brazil. The following table presents key data of the Brazilian economy for the periods indicated.

	Year ended December 31,		
	2009	2008	2007
GDP growth[(1)]	(0.20)%	5.1%	5.4%
CDI rate[(2)]	9.88%	12.28%	11.91%
TJLP[(3)]	6.00%	6.25%	6.37%
SELIC rate[(4)]	8.75%	13.75%	11.25%
Increase (decrease) in real value against the US dollar	34.20%	(24.2%)	17.2%
Selling exchange rate (at period end) R$ per US$1.00	R$ 1,741	R$ 2,337	R$ 1,771
Average exchange rate R$ per US$1.00[(5)]	R$ 2,00	R$ 1,838	R$ 1,786
Inflation (IGP-M)[(6)]	(1.70)%	9.8%	7.7%
Inflation (IPCA)[(7)]	4.30%	5.9%	4.5%

Interest Rates

Since the implementation of an inflation targeting framework in 1999, the Central Bank has broadly reduced price volatility and inflation. The SELIC was lowered from 45.00% per annum in 1999 to 13.75% in September 2008, shortly before the recent worldwide financial crisis began. The worldwide financial crisis led to further reductions of the SELIC, which was set at 8.75% in July 2009 (its lowest historical level). The reduction in the SELIC contributed significantly to the economic recovery.

The following table presents the low, high, average and period-end SELIC since 2005, as reported by the Central Bank. Our assets are predominantly fixed rate and our liabilities predominantly floating. The resulting exposure to increases in market rates of interest is modified by our use of cash flow hedges to convert floating rates to fixed, but we maintain an exposure to interest rate movements. At December 31, 2009, a sustained 100 basis point increase in market rates of interest along the length of the yield curve would have resulted in a R$200 million decline in net interest income over a one-year.

Year	Low	High	Average [(1)]	Period-End
2005	17.75	19.75	19.15	18.00
2006	13.25	18.00	15.10	13.25
2007	11.25	13.25	11.25	11.25
2008	11.25	13.75	12.54	13.75
2009	8.75	13.75	9.92	8.75

Sources: BNDES, Central Bank, FGV, IBGE and LCA Consultores.
1 Revised series. Source: IBGE.
2 The Interbank Deposit Certificate (Certificado de Depósito Interbancário, or "CDI" rate) is the average daily interbank deposit rate in Brazil (at the end of each month and annually).
3 Represents the interest rate applied by the BNDES for long-term financing (at the end of the period).
4 The benchmark interest rate payable to holders of some securities issued by the Brazilian government and traded on the Special System for Settlement and Custody (Sistema Especial de Liquidação e Custódia).
5 Average of the selling exchange rate for the last day of each month during the period.
6 The inflation rate is the general index of market prices (Índice Geral de Preços-Mercado, or "IGP-M"), as calculated by FGV.
7 The inflation rate is the consumer price index (Índice de Preços ao Consumidor – Amplo, or "IPCA"), as calculated by the IBGE.

1 Average of month-end rates during the period.

Credit Volume

Credit volume in Brazil has strongly increased since 2004, mainly driven by lower inflation, decreasing interest rates and consistent economic growth. The worldwide financial crisis has affected the growth rates of consumer credit mainly in 2008 (consumer credit volumes experienced a recovery in 2009) and corporate credit mainly in 2009 (corporate credit volumes experienced strong growth in 2008). The table below presents the year-on-year nominal growth of credit, according to Central Bank figures.

	Average 2001-2005	2006	2007	2008	2009
Total volume of credits	15.9%	20.7%	27.8%	31.1%	15.0%
To consumers	20.2%	24.5%	32.6%	25.7%	22.7%
To corporates	13.8%	18.5%	24.9%	34.5%	10.5%

The credit growth was lower in 2009 than in 2007 and 2008, although still robust, and the credit/GDP ratio reached 45% in 2009, compared to 34.2% in 2007 and 41.3% in 2008. This is the highest ratio ever in Brazil, but is still a relatively low ratio compared to other countries, such as, for example, Chile, where total bank credit to the private sector was equivalent to 100% of GDP in 2009, according to Chilean Central Bank statistics from September 2009.

Foreign Exchange Rates

At December 31, 2009, we had U.S.$12.3 billion in foreign currency-denominated funding and U.S.$12.1 billion in foreign currency denominated assets. Our policy is to maintain limited foreign exchange rate exposure by seeking to match foreign currency denominated assets and liabilities as closely as possible, including through the use of derivative instruments. In 2009, we recorded foreign exchange losses of R$51.2 million due to our long position in U.S. dollar-denominated assets and the 25.5% appreciation of the real against the U.S. dollar. These losses were offset in large part by corresponding gain on derivatives entered into to hedge this exposure. Such losses are recorded under "Gains/losses on financial assets and liabilities".

The Brazilian currency has during the last decades experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Between 2003 and mid 2008, the real appreciated significantly against the U.S. dollar due to the stabilization of the macroeconomic environment and a strong increase in foreign investment in Brazil, with the exchange rate reaching R$1.559 per US$1.00 in August 2008. In the context of the crisis in the global financial markets from mid 2008 through 2009, the real depreciated 31.9% against the U.S. dollar over the year 2008 and reached R$2.337 per US$1.00 on December 31, 2008. The real recovered in the second half of 2009, reaching R$1.741 per US$1.00 at December 31, 2009, principally due to the recovery of consumer confidence, exports and foreign investment in the second half of the year.

Inflation

The inflation rate in Brazil has been volatile in the past and at times high, but the implementation of inflation targeting policies has led to lower and more stable inflation rates. The center of the target inflation range since 2005 has been 4.5%, with a cushion of two percentage points in each direction, and the Central Bank has been successful in staying within its inflation targets.

In 2009, the global financial crisis led to a significant reduction in commodities prices, and, therefore, reduced inflation. IPCA, the official consumer price index, reached 4.3% at year end 2009 (5.9% in 2008), and food prices rose 3.2% in 2009 (11.1% in 2008). Also, tax incentives to purchase cars and durable goods reduced the prices of these products (a 1.9% decrease in 2009, compared to a 1.0% increase in 2008) and, therefore, contributed to lower inflation, despite the monetary stimulus for domestic demand.

Reserve and Lending Requirements

The Central Bank's reserve and lending requirements have a significant effect on the results of operations of banks in Brazil. The raising or lowering of these requirements impacts our results of operations by limiting or increasing the amount of funds available for commercial lending operations.

Beginning in the last quarter of 2008, the Central Bank has amended the reserve requirement rules in order to improve liquidity in Brazil's financial system. Largely due to these amendments, our level of required reserves and lending declined from a high of R$40.0 billion (or 33% of total deposits) on September 30, 2008 to R$24.8 billion (or 22% of total deposits) on December 31, 2009 (as calculated under Brazilian GAAP).

The principal changes to the required reserves were:

1. increasing the amount deductible from the Central Bank's additional reserve requirement for savings deposits, demand deposits and time deposits from R$100 million to R$1 billion;

2. Decreasing the rate applied to calculate the Central Bank's additional reserve requirement for demand and time deposits from 8% to 4%;

3. Decreasing the rate of the Central Bank's reserve requirement for demand deposits from 45% to 42%;

4. increasing the amount deductible from legal reserve requirements for time deposits from R$300 million to R$2 billion;

5. Changing the form of compulsory deposits for time deposits from 100% in government securities to 30% in government securities (40% from January 5, 2009 and 45% from September 21, 2009) and 70% in cash (60% from January 5, 2009 and 55% from September 21, 2009). The cash reserve requirement may be satisfied with interbank deposits or asset acquisitions from financial institutions having regulatory capital of less than R$2.5 billion; and

6. Decreasing the rate applied to calculate the Central Bank's reserve requirement for time deposits from 15.0% to 13.5% as from September 21, 2009.

The following table sets forth the reserve and lending requirements to which we are subject for each category of funding.

Product	December 31, 2009	Form of Required Reserve	Yield
Demand deposits Rural credit loans[1]	30%		6.75% p.a
Microcredit loans	2%		Cap rate: 2% p.m.
Reserve requirements	42%	Cash	Zero
Additional reserve requirements	5%	Government Bonds	Overnight Rate
Free funding[3]	21%		
Savings accounts			
Mortgage loans	65%		Cap of TR + 12% p.a.
Reserve requirements	20%	Cash	TR + 6,17% p.a.
Additional reserve requirements	10%	Government Bonds	Overnight Rate
Free funding[3]	5%		
Time deposits			
Reserve requirements	13.5%		
In cash or credit[4]	7.425%	Cash or Credit	Zero for Cash
In government bonds	6.075%	Government Bonds	Overnight Rate
Additional reserve requirements	4%	Government Bonds	Overnight Rate
Free funding[3]	82.5%		

[1] Rural credit loans are loans to agricultural customers, of which R$5.6 billion and R$5.1 billion were outstanding as of December 31, 2008 and December 31, 2009, respectively.
[2] Microcredit loans are loans to very small businesses, of which R$158.5 million and R$181.5 million were outstanding as of December 31, 2008 and December 31, 2009, respectively.
[3] Free funding is the amount of each category of funding we are free to use for any purpose.
[4] Includes only credit acquired up to December 31, 2009 from financial institutions having net capital of less than R$7 billion.

Taxes

Our tax expense principally consists of two components: (1) a federal income tax and (2) a social contribution tax. The federal income tax is calculated at a rate of 15%, plus a 10% surtax assessed on taxable profits in excess of R$240 thousand per annum. The social contribution tax is calculated at a rate of 15% (for financial institutions) of certain net revenues (9% through April 30, 2008, 15% and from May 1, 2008). Deferred tax assets and liabilities are computed based on temporary differences between the book basis and tax basis of assets and liabilities, tax losses, and adjustments to the fair value of securities and derivatives. In addition, we are assessed PIS and COFINS taxes at a rate of 4.65% on certain revenues, net of certain expenses. Under IFRS, since PIS/COFINS taxes are assessed on the basis of certain revenues net of certain expenses, the Bank classifies these taxes as income taxes.

A tax on financial transactions, the "IOF", is currently paid by the customer on loans at a rate of 0.0041% per day up to a cap of 1.5% plus an additional rate of 0.38% per financial transaction. Generally, loans with maturity of greater than 365 days are currently subject to an IOF/credit tax at a rate of 1.88%. We are responsible for withholding the IOF but the tax does not affect our reported results.

As a general rule, the Provisional Contribution on Financial Transactions (Contribui ‹o Provis—ria sobre Movimenta ›es Financeiras, or "CPMF") has been charged at the rate of 0.38% on certain financial transactions since June 1999. On December 31, 2007, the CPMF was terminated, and since January 1, 2008, financial transactions have not been subject to the payment of CPMF. When the CPMF was effective, we were responsible for withholding the tax, but it did not affect our reported results except to a non-material extent in connection with our payment of CPMF on certain of our administrative expense payments. Such CPMF amounts are reflected under "Administrative expenses".

Gains on Sales of Investment Securities

Our operational results between 2007 and 2009 were affected by certain gains on sales of investment securities and participations. In 2009, we had pre-tax gains of R$3.3 billion in connection with sales of our participations and investment securities on Visanet, Companhia Brasileira de Solu ›es e Servi os (CBSS), TecBan, Serasa S.A. and BMF&Bovespa stock exchange; these gains were offset by the increase in our provisions for contingencies. In 2008 and 2007, we had pre-tax gains of R$88 million and R$693 million, respectively, excluding Banco Real, in connection with sales of investment securities, including shares in BM&F, BOVESPA and Serasa S.A.

Cayman Offshore Hedging

We operate a branch in Grand Cayman which is used primarily for sourcing funds in the international banking and capital markets to provide credit lines for us that are extended to our customers for working capital and trade-related financings. Our investment in the Grand Cayman branch is denominated in U.S. dollars in the amount of U.S.$2.6 billion as of December 31, 2008 and U.S.$3.0 billion as of December 31, 2009. We hedge the resulting U.S. dollar-denominated exposure through transactions in U.S. dollar futures. Our position in U.S. dollar futures as of December 31, 2008 was U.S.$1.4 billion and as of December 31, 2009 was U.S.$1.9 billion. Changes in the fair value of these futures are reflected under gains and losses on financial assets. Under Brazilian income tax rules, the gain resulting from the impact of a devaluation of the real on our U.S. dollar-denominated investment in the Cayman Island branch is non-taxable and the loss resulting from the impact of an appreciation of the real is not deductible. This tax treatment results in volatility in the income tax items in our income statement. This asymmetry is offset by our hedging results because our derivative positions generate losses (tax deductible) in the case of devaluation of the real and gains (taxable) in the case of appreciation. As a result, the after-tax effect of these derivative positions provides a hedge against the tax foreign currency exposure resulting from our Cayman Island investment (that is, the R$721 million after-tax effect of the hedge at December 31, 2009 offsets the R$721 million tax effect of our Cayman exposure at that date). This investment and our related hedging transactions will continue to result in variations in our effective tax rate.

Goodwill of Banco Real

The potential impairment of goodwill relating to Banco Real may be an important factor affecting our results of operations in future periods. We generated goodwill of R$27.5 billion as a result of the acquisition of Banco Real. Under IFRS, we are required to analyze goodwill for impairment at least annually or whenever there are indications of impairment. For this purpose, in 2009, management estimates and assumptions are subject to several factors including: (i) macroeconomic projections of interest rates, inflation exchange rates and others; (ii) the conduct and growth estimates; (iii) increased costs, returns, synergies and investment plans; (iv) the behavior of customers; and (v) growth rates and adjustments applied to future cash flows. We did not identify any impairment to the goodwill relating to Banco Real in 2009. In 2008, due to the recent incorporation of Banco Real into the group and the results of the related market value calculation and purchase price allocation valuation recently performed, the Bank did not detect, and therefore did not recognize, any impairment losses. We may be required to record an impairment charge in the future if management determines that there is objective evidence of impairment. Any impairment in goodwill relating to the Banco Real acquisition will be reflected in our income statement under impairment losses on other assets (net). See "—Critical Accounting Policies— Impairment". For tax purposes, goodwill is amortized over a seven year period.

Critical Accounting Policies

General

Our principal accounting policies are described in note 2 to our consolidated audited financial statements. The following discussion describes those areas that require the most judgment or involve a higher degree of complexity in the application of the accounting policies that currently affect our financial condition and results of operations. The accounting estimates made in these contexts require management to make assumptions about matters that are highly uncertain. In each case, if management had made other estimates, or if changes in these estimates occur from period to period, these accounting estimates could have a material impact on our financial condition and results of operations.

Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under current circumstances. Actual results may differ from these estimates if assumptions and conditions change. Judgments or changes in assumptions are submitted to the audit and compliance committee of the board of directors and/or to our regulatory authorities and are disclosed in the notes to our consolidated financial statements.

Fair value of financial instruments

We record financial assets and liabilities as financial instruments that are classified at fair value through profit or loss, available for sale securities, and all derivatives at fair value on the balance sheet. The fair value of a financial instrument is the value at which it could be bought or sold in a current transaction between knowledgeable, willing parties on an arm's length basis. If a quoted price in an active market is available for an instrument, the fair value is calculated based on that price.

If there is no market price available for a financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving the same or similar instruments and, in the absence thereof, on the basis of valuation techniques commonly used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

We use derivative financial instruments for both trading and non-trading activities. The principal types of derivatives used are interest rate swaps, future rate agreements, interest rate options and futures, foreign exchange forwards, foreign exchange futures, foreign exchange options, foreign exchange swaps, cross currency swaps, equity index futures, equity options, and equity swaps. The fair value of standard derivatives is calculated based on published price quotations. The fair value of over-the-counter derivatives is calculated as the sum of the expected future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques commonly used by the financial markets as follows:

- The present value method for valuing financial instruments permitting static hedging (principally forwards and swaps) and loans and advances. Expected future cash flows are discounted using the interest rate curves of the applicable currencies. The interest rate curves are generally observable market data.
- The Black-Scholes model for valuing financial instruments requiring dynamic hedging (principally structured options and other structured instruments). Certain observable market inputs are used in the Black-Scholes model to generate variables such as the bid-offer spread, exchange rates, volatility, correlation between indexes and market liquidity, as appropriate.
- Each of the present value method and the Black-Scholes model is used for valuing financial instruments exposed to interest rate risk, such as interest rate futures, caps and floors. For more structured instruments that require dynamic hedging, the Heath-Jarrow-Morton model is used. The main inputs used in these models are principally observable market data, including appropriate interest rate curves, volatilities, correlations and exchange rates.
- We use dynamic models similar to those used in the measurement of interest rate risk for measuring credit risk of linear instruments (such as bonds and fixed-income derivatives). In the case of non-linear instruments, if they are exposed to portfolio credit risk (such as credit derivatives), the joint probability of default is determined using the Standard Gaussian Copula model. The main inputs used in the Standard Gaussian Copula model are generally data relating to individual issuers in the portfolio and correlations thereto. The main inputs used in determining the underlying cost of credit for credit risk derivatives are quoted credit spreads, and the correlation between individual issuers' quoted credit derivatives.
- The determination of fair value requires us to make certain estimates and assumptions. If quoted market prices are not available, fair value is calculated using widely accepted pricing models that consider contractual prices of the underlying financial instruments, yield curves, contract terms, observable market

data, and other relevant factors. The use of different estimates or assumptions in these pricing models could lead to a different valuation being recorded in our consolidated financial statements.

See note 2d (iii) to our consolidated financial statements for additional information on valuation techniques used by us and details of the principal assumptions and estimates used in these models and the sensitivity of the valuation of financial instruments to changes in the principal assumptions used.

Allowance for credit losses

We assess financial assets accounted for at amortized cost for objective evidence of impairment. Any resulting allowances for credit losses are recognized and measured in accordance with IAS 39. Credit losses exist if the carrying amount of an asset or a portfolio of assets exceeds the present value of the estimated future cash flows.

We cover losses inherent in debt instruments not measured at fair value through profit or loss and in contingent liabilities taking into account the historical experience of impairment and other circumstances known at the time of assessment. For these purposes, inherent losses are losses incurred at the reporting date, calculated using statistical methods that have not yet been allocated to specific transactions.

We use the concept of incurred loss to quantify the cost of the credit. Incurred loss is the expected cost, on average in a complete business cycle, of the credit risk of a transaction, considering the characteristics of the counterparty and the guarantees and collateral associated with the transaction.

The credit portfolio is broken down, identifying clusters that show, within each cluster, homogeneous levels in the estimated parameters of probability of default, or "PD", and loss given default, or "LGD", and stability on those parameters for a period of historical data of five years for PD and seven years for the LGD. Each of these clusters demonstrates distinct levels of these parameters.

For each business segment, incurred loss is calculated by using statistical models that consider the following three factors: "exposure at default", "probability of default" and "loss given default".

Exposure at default or "EAD" is the amount of risk exposure at the date of default by the counterparty.

In accordance with IFRS, the exposure at default used for this calculation is the current exposure, as reported in the balance sheet.

Probability of default, or "PD", is the probability of the counterparty failing to meet its principal and/or interest payment obligations.

PD is measured using a time horizon of one year; i.e. it quantifies the probability of the counterparty defaulting in the coming year. The definition of default includes amounts past due by 90 days or more and cases in which there are no arrears but there are doubts as to the solvency of the counterparty (subjective doubtful assets).

Loss given default, or "LGD", is the loss arising in the event of default.

LGD calculation is based on the observation of the recoveries of defaulted loans, taking into account the guarantees/collateral associated with the transaction, the income and expenses associated with the recovery process, and also the timing thereof and the indirect costs arising from the recovery process.

Our methodology for determining the allowance in respect of incurred losses that have not been specifically identified seeks to identify the amount of incurred losses as of the balance sheet date of loans that have not yet been identified as impaired, but that we estimate, based on our past experience, will manifest within one year from the balance sheet date. We refer to such impairment as inherent losses in the context of our internal credit loss allowance models.

The approach described above is used as a general rule and covers almost the entire portfolio. However, for low default portfolios (sovereign risk, credit institutions or large corporations) the number of defaults observed is very small or zero. In these cases, we use data contained in the credit derivative spreads to estimate the expected loss discounted by the market and break it down into PD and LGD.

Impairment

Certain assets, including goodwill, other intangible assets, equity method investments, financial assets not carried at fair value through profit or loss and other assets are subject to impairment review. We record impairment charges when we believe there is objective evidence of impairment, or that the cost of the assets may not be recoverable. Assessment of what constitutes impairment is a matter of significant judgment.

We test goodwill and other intangible assets for impairment on an annual basis, or more frequently if events or changes in circumstances, such as an adverse change in business climate or observable market data, indicate that these assets may be impaired. An impairment loss recognized for goodwill may not be reversed in a subsequent period. The fair value determination used in the impairment assessment requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, requiring management to make subjective judgments and assumptions. Events and factors that may significantly affect the estimates include, among other things, competitive forces, customer behaviors and attrition, changes in revenue growth trends, cost structures and technology, and changes in discount rates and specific industry or market sector conditions.

All debt and equity securities (other than those carried at fair value through profit or loss) are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred.

Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the issuer may not pay amounts when due. Equity securities are impaired when management believes that, based on (the combination of) a significant or prolonged decline of fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. "Significant" and "prolonged" are interpreted on a case-by-case basis for specific equity securities.

Upon impairment, the full difference between amortized cost and fair value is removed from equity and recognized in net profit or loss. Impairments on debt securities may be reversed if there is a decrease in the amount of the impairment which can be objectively related to an observable event. Impairments on equity securities may not be reversed.

Retirement Benefit Obligations

The Bank provides pension plans in the form of both defined contribution plans and defined benefit plans, in accordance with IAS 19. For defined contribution plans, the pension cost recognized in the consolidated income statement represents the contribution payable to the scheme. For defined benefit plans, the pension cost is assessed in accordance with the advice of a qualified external actuary using the projected unit credit method. This cost is charged annually to the consolidated income statement.

The actuarial valuation is dependent upon a series of assumptions; the principal ones are set forth below:

- assumed interest rates;
- mortality tables;
- annual social security pension revision rate;
- price inflation;
- annual salary growth rate, and
- the method used to calculate vested commitments to current employees.

The difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date, adjusted for any historic unrecognized actuarial gains or losses and past service cost, is recognized as a liability in the balance sheet.

Further information on retirement benefit obligations is set out in notes 2 and 21 to our consolidated financial statements.

Results of Operations

We are a financial group whose main business focus is commercial banking, complemented by global wholesale banking, asset management and insurance businesses.

Our main source of income is the interest that we earn from our lending activities, by borrowing funds from customers at certain rates and lending them to other customers at different rates. We also derive income from the interest and dividends that we receive from our investments in fixed/variable income and equity securities, from our trading activities in such securities and derivatives, by buying and selling these instruments to take advantage of current and/or expected differences between purchase and sale prices, and from entering into derivative transactions with customers on which we hedge our market risk exposure and earn a spread.

Another source of income is the fees and commissions that we earn from the different banking and other financial services that we provide, including credit and debit cards, insurance sales, account management, bill discounting, guarantees and other contingent liabilities, advisory and custody services, and from our mutual and pension funds management services.

In addition, from time to time, we derive income from the capital gains we make from the sale of our holdings in group companies.

Results of Operations for the Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008

As a consequence of our acquisition of Banco Real in August 2008, our results of operations for the year ended December 31, 2008 and 2009 are not comparable. In order to analyze the organic developments in our business we discuss pro forma information for the year 2008 as if we had consolidated Banco Real as from January 1, 2008. For a complete presentation of this pro forma information, see – "Unaudited Pro Forma Consolidated Financial Information".

For the year ended December 31, (in millions of Brazilian Reais)

	2009	2008 (pro forma)	2008	% Change	% Change (pro forma)	Change	2008
Net interest income	22,167	19,231	11,438	94%	15%	2,936	10,729
Income from equity instruments	30	39	37	(19%)	(23%)	(9)	(7)
Net fees and commissions	6,238	5,866	4,254	47%	6%	372	1,984
Share of results of entities accounted for using the equity method	295	305	112	163%	(3%)	(10)	183
Gains/losses on financial assets and liabilities (net)	2,716	(484)	(1,286)	n.a	n.a	3,200	4,002
Exchange differences (net)	(51)	1,261	1,476	n.a	n.a	(1,312)	-
Other operating income (expenses)	(115)	(75)	(60)	94%	55%	(41)	(56)
Gross income	31,280	26,143	15,971	96%	20%	5,136	-
Administrative expenses	(10,947)	(11,532)	(7,185)	52%	(5%)	585	(3,762)
Depreciation and amortization	(1,249)	(1,236)	(846)	48%	1%	(13)	(403)
Provisions (net)	(3,481)	(1,702)	(1,230)	183%	105%	(1,779)	(2,251)
Impairment losses on financial assets (net)	(9,966)	(6,570)	(4,100)	143%	52%	(3,397)	(5,868)
Impairment losses on other assets (net)	(901)	(85)	(77)	n.a	n.a	(816)	(824)
Gains/losses on disposal of assets not classified as non-current assets held for sale	3,369	32	7	n.a	n.a	3,337	3,362
Gains/losses on disposal of non-current assets held for sale	32	22	9	269%	55%	12	25
Profit before tax	8,137	5,072	2,549	219%	60%	3,065	5,588
Taxes	(2,629)	(1,159)	(170)	n.a	127%	(1,470)	(2,459)
Net income	5,508	3,913	2,379	132%	41%	1,595	3,129

Summary

Net income for the year ended December 31, 2009 was R$5.5 billion, a 132%, or R$3.1 billion increase from R$2.4 billion for the year ended December 31, 2008. The increase was mainly due to the consolidation of Banco Real in our financial statements. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, net income for the year ended December 31, 2009 increased by 41% compared to R$3.9 billion for the year ended December 31, 2008. This increase was mainly due to:

- Capital gains of R$3.4 billion realized upon the sale of part of equity participations in our portfolio, principally the sale of our interests in Visanet (now named Cielo), partially offset by an increase in provisions for contingencies;
- An increase of 12.4% in average credit volumes and a resulting increase in revenues from lending operations. The credit market in Brazil continued to grow in 2009, although at a slower pace than in previous years. Credit balances at December 31, 2009 were 15% higher than at December 31, 2008;
- A R$3.4 billion increase in credit impairment losses driven by deteriorating economic conditions; and
- Increased gains on financial assets in 2009.

Net Interest Income

Santander Brasil's net interest income in 2009 was R$22.2 billion, a 94% or R$10.7 billion increase from R$11.4 billion in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, net interest income in 2009 increased by 15% compared to R$19.2 billion in 2008. This increase was mainly due to growth in our lending activities, in addition to an increase in the average spread of our credit assets over interbank rates.

Average total earning assets in 2009 were R$229.5 million, a 72% or R$95.8 million increase from R$133.7 million in 2008. The principal drivers of this increase were (i) the acquisition of Banco Real and (ii) an increase in average loans and advances to customers. The increase in loans and advances was driven by an increase in corporate lending, principally trade finance in our Global Wholesale Banking segment, as well as an increase in retail lending mainly driven by an increase in mortgage lending and an increase in unsecured personal credit. The growth in mortgage lending was in line with the growth of this product in the Brazilian market as the housing credit market is still very incipient in Brazil in comparison with more mature economics. The increase in personal credit was else in line with market trends in Brazil.

Average total interest bearing liabilities in 2009 were R$184.3 million, a 68% or R$74.9 million increase from R$109.4 million in 2008. The principal driver of this increase was an increase in time deposits. This growth resulted from a movement of customer funds out a mutual funds and other similar vehicles into lower risk bank deposits as well as a "flight to quality" as Brazilian customers moved their savings to larger financial institutions.

Those average earning assets and bearing liabilities include only the information of Banco Real since September 2008. Net interest income also benefited from a 20 basis point increase in the spread of the average yield earned on our interest earning credit assets over the average CDI rate, which is a proxy for the cost of interbank funding. This spread is the way we evaluate the yield earned on our assets. The increase in this spread reflects increase in market credit risk that we bear as a result of economic and credit conditions arising from the recent economic crisis, offset in part by a relative decrease in the percentage of our total portfolio comprised of higher-risk retail lending.

Net Fees and Commission Income

Net fees and commission income in 2009 was R$6.2 billion, a 47% or R$2.0 billion increase from R$4.3 billion in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, net fees and commission income in 2009 increased by 6% compared to R$5.9 billion in 2008. This increase was mainly due to a R$198 million growth in the sale of insurance and capitalization and a R$166 million increase in commissions on credit and debit cards.

The following table reflects the breakdown of net fee and commission income for the year ended December 31, 2009 and 2008 (on a pro forma basis).

	Year ended December 31, (in millions of Brazilian Reais)		
	December 2009	December 2008	% Change
Banking fees	2,458	2,376	3%
Receiving Services	502	442	14%
Sale of insurance	1,042	844	23%
Investment funds	737	830	(11)%
Credit and debit cards	782	616	27%
Capital markets	539	413	31%
Trade finance	384	397	(3)%
Tax on services	350	(351)	(0)%
Others	143	298	(52)%
Total	**6,238**	**5,866**	**6%**

Share of Results of Entities Accounted for using the Equity Method

Share of results of entities accounted for using the equity method in 2009 was R$295 million, a R$183 million increase from R$112 million in 2008 This increase was mainly due to gains of R$126 million from ABN Dois Participações, R$110 million of which was due to the sale of Real Capitalização business, to our affiliate Santander Seguros. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, share of results of entities accounted for using the equity method in 2009 decreased 3% compared to R$305 million in 2008.

Gains (Losses) on Financial Assets and Liabilities (Net)

Gains (losses) on financial assets and liabilities (net) in 2009 were gains of R$2.7 billion, a R$4.0 billion increase from losses of R$1.3 billion in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, gains (losses) on financial assets and liabilities (net) in 2009 increased R$3.2 billion compared to losses of R$484 million in 2008. An amount of R$1.3 billion of these gains relate to foreign currency derivatives entered into to hedge our exposure and were partially offset by foreign exchange losses recorded under exchange differences. In addition, the increase was driven by a R$1.7 billion increase in gains on our Cayman Islands investment hedge and R$126 million increase in proceeds from the sale of long-term investments upon the sale of part of our interests in BOVESPA and BM&F offset in part by a R$76 million decrease in results from our proprietary trading activities. As noted above under "—Other Factors Affecting Financial Condition and Results of Operations—Cayman Offshore Hedging", changes in our Cayman Islands investment hedge are offset by corresponding change in our income tax rate. See "—Income Tax" below.

Exchange Differences (Net)

Exchange differences (net) in 2009 were a loss of R$51 million, a R$1.5 billion decrease from a gains of R$1.5 billion in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, exchange differences (net) in 2009 decreased R$1.3 billion compared to a gain of R$1.3 billion in 2008 due primarily to the average appreciation of the real against the U.S. dollar for the year ended December 31, 2009 compared to the year ended December 31, 2008. These losses were largely offset by gains on derivative transactions settled to hedge our foreign currency exposure. See "— Gains (Losses) on Financial Assets and Liabilities (Net)" above.

Other Operating Income (Expenses)

Other operating income (expenses) in 2009 was expense of R$116 million, compared to expense of R$60 million in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, other operating expenses in 2009 increased by R$41 million to expenses of R$75 million in 2008. This change was mainly due to declines in fees relating to auto loan originations and declines in banking fees for checking accounts and lending/leasing commissions due to limits imposed by the Central Bank starting in May 2008.

Administrative Expenses

Administrative expenses changed from R$7.2 billion in 2008, or R$11.5 billion on a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, to R$10.9 billion in 2009. The decrease on a pro forma basis was primarily due to the cost synergies which were created as a result of the merger between Santander Brasil and Banco Real, particularly from personnel reductions, offset in part by salary increases tied to inflation. As a result, our efficiency ratio, which we calculate as administrative expenses divided by total income, decreased from 44% for the year ended December 31, 2008 on a pro forma basis to 34.7% for the year ended December 31, 2009.

Personnel expenses

The following table sets forth personnel expenses for each of the periods indicated,

	Year ended December 31, (in millions of Brazilian Reais)	
	2009	2008 (pro forma)
Salaries	3,364	3,571
Social Security	971	944
Benefits	749	678
Training	88	85
Others	339	396
Total	**5,511**	**5,674**

Provisions (Net)

Provisions principally include provisions for labor and tax contingencies, civil claims, and especially for labor claims. Provisions (net) was R$3.5 billion for the year ended December 31, 2009, compared to R$1.2 billion for the year ended December 31, 2008, or R$1.7 million on a pro forma basis. This increase reflected increased provisions for labor and civil claims and provisions for restructuring costs associated with the Banco Real acquisition.

Impairment Losses on Financial Assets (Net)

Impairment losses on financial assets (net) in 2009 were R$10.0 billion, a 143.3% or R$5.9 billion increase from R$4.1 billion in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, impairment losses on financial assets (net) in 2009 increased 51.9% compared to R$6.6 billion in 2008, mainly due to a 0.2% decrease in GDP in 2009 as compared to 2008, and higher unemployment rates.

Although the international financial crisis commenced in the second half of 2008, its major effects in terms of increasing default rates and deterioration of our credit portfolio occurred through the third quarter of 2009, when default rates reached their peak. In the fourth quarter of 2009, default rates started to decrease, reaching levels closer to those observed before the crisis.

The following table shows the ratio of our impaired assets to total computable credit risk and our coverage ratio at December 31, 2009 and December 31, 2008.

As of December 31, (in millions of Brazilian Reais, except for percentages)

	2009	2008
Computable credit risk[1]	159,362	164,695
Non-performing assets	9,899	7,730
Allowances for non-performing assets	10,070	8,181
Ratios		
Non-performing assets to computable credit risk	6.2%	4.7%
Coverage ratio[2]	101.7%	105.8%

The following table shows our non-performing assets by type of loan at December 31, 2009 and December 31, 2008.

At December 31, (in millions of Brazilian Reais)

Impaired Assets by type of customer	2009	2008
Commercial, financial and industrial	3,618	2,730
Real estate – mortgage	109	74
Installment loans to individuals	5,335	4,528
Lease financing	837	398
Total	**9,899**	**7,730**

Commercial, financial and industrial

Non-performing assets in commercial, financial and industrial loans increased by R$888 million from December 31, 2008 to December 31, 2009, primarily as a result of the effects of the financial crisis, principally on small-and medium-sized corporate and export-oriented borrowers.

Real estate – mortgage

Non-performing assets in real estate – mortgage loans remained stable, with an increase of R$35 million from December 31, 2008 to December 31, 2009.

Installment loans to individuals

Non-performing assets in installment loans to individuals increased by R$807 million from December 31, 2008 to December 31, 2009, mainly as a result of the decrease in consumption and increase in the unemployment rate.

Lease financing

Non-performing loans in lease financing decreased by R$439 million from December 31, 2008 to December 31, 2009, mainly as a result of the decrease in consumption and an increase in the unemployment rate.

Impairment Losses on Other Assets (Net)

Other impairment losses on other assets (net) in 2009 were R$901 million, a R$824 million increase from R$77 million in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, impairment losses on other assets (net) in 2009 increased R$816 million compared to R$85 million in 2008. This increase was mainly due to increases in impairment on real properties as a result of closing certain of our office buildings in connection with the expected move to our new headquarters.

[1] Computable credit risk is the sum of the face amounts of loans and leases (including non-performing assets but excluding country risk loans), guarantees and documentary credits.
[2] Allowances for credit losses as a percentage of non-performing assets.

Income Tax

Income tax was R$2.6 billion in 2009, a 1,445% or R$2.5 billion increase from R$170 million in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, income tax in 2009 increased 127% compared to R$1.2 billion in 2008. Our effective tax rates in 2009 and 2008 (on a pro forma basis), were 32% and 23%, respectively. In 2009, the 25% valuation of the real against the dollar on the net equity of our Cayman Island branch, and the positive hedge results, caused an increase of R$1.2 billion in the tax expenses, compared to the reduction of R$732 million in 2008. See "—Other Factors Affecting Financial Condition and Results of Operations—Cayman Offshore Hedging". On the other hand, the tax expenses were reduced by R$1.3 billion due to an increase in deductible goodwill amortization, compared to R$418 million in 2008.

Results of Operations by Segment for the Year ended December 31, 2009 Compared to the Year ended December 31, 2008

The following tables present an overview of certain income statement data for each of our operating segments for the year ended December 31, 2009 and 2008.

For the year ended December 31, 2009
(in millions of Brazilian Reais, except percentages)
(condensed income statement)

	Commercial Banking	% of Total	Global Wholesale Banking	% of Total	Asset Management and Insurance	% of Total	Total
NET INTEREST INCOME	**20,260**	**91.4%**	**1,767**	**8.0%**	**140**	**0.6%**	**22,167**
Income from equity instruments	30	100.0%	0	0.0%	0	0.0%	30
Share of results of entities accounted for using the equity method	295	100.0%	0	0.0%	0	0.0%	295
Net fee and commission income	4,970	79.7%	863	13.8%	405	6.5%	6,238
Gains/losses on financial assets and liabilities	1,751	65.7%	859	32.2%	54	2.0%	2,665
Other operating - income/(expenses)	(281)	242.4%	(23)	19.4%	188	161.9%	(116)
Personnel expenses	(4,972)	90.2%	(474)	8.6%	(65)	1.2%	(5,511)
Other administrative expenses	(5,213)	95.9%	(175)	3.2%	(48)	0.9%	(5,436)
Depreciation and amortization of tangible and intangible assets	(1,176)	94.2%	(39)	3.1%	(34)	2.7%	(1,249)
Impairment losses on financial assets (net)	(9,884)	99.2%	(83)	0.8%	0	0.0%	(9,967)
Provisions (net)	(3,390)	97.4%	(45)	1.3%	(46)	1.3%	(3,481)
Impairment losses on non-financial assets (net)	(900)	99.8%	0	0.0%	(1)	0.2%	(901)
Other non-financial gains/(losses)	3,403	100.0%	0	0.0%	0	0.0%	3,403
PROFIT (LOSS) BEFORE TAX	**4,894**	**60.1%**	**2,651**	**32.6%**	**592**	**7.3%**	**8,137**

For the year ended December 31, 2009
(in millions of Brazilian Reais, except percentages)
(condensed income statement)

Pro forma	Commer-cial Banking	% of Total	Global Wholesale Banking	% of Total	Asset Management and Insurance	% do Total	Total
NET INTEREST INCOME	**17,719**	**92.1%**	**1,440**	**7.5%**	**72**	**0.4%**	**19,231**
Income from equity instruments	39	100.0%	0	0.0%	0	0.0%	39
Share of results of entities accounted for using the equity method	305	100.0%	0	0.0%	0	0.0%	305
Net fee and commission income	4,866	83.0%	641	10.9%	358	6.1%	5,866
Gains/losses on financial assets and liabilities	(27)	-3.4%	797	102.5%	7	0.9%	777
Other operating income/(expenses)	(8)	11.2%	(66)	88.3%	(0)	0.5%	(75)
Personnel expenses	(4,998)	88.1%	(623)	11.0%	(53)	0.9%	(5,674)
Other administrative expenses	(5,621)	96.0%	(207)	3.5%	(30)	0.5%	(5,858)
Depreciation and amortization of tangible and intangible assets	(1,160)	93.8%	(72)	5.8%	(4)	0.4%	(1,236)
Impairment losses on financial assets (net)	(6,533)	99.4%	(37)	0.6%	0	0.0%	(6,570)
Provisions (net)	(1,631)	95.9%	(38)	2.3%	(32)	1.9%	(1,702)
Impairment losses on non-financial assets (net)	(85)	100.0%	0	0.0%	(0)	0.0%	(85)
Other non-financial gains/(losses)	54	100.0%	0	0.0%	0	0.0%	54

The following tables show our results of operations for the year ended December 31, 2009 and 2008 (actual results and on a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008), for each of our operating segments.

For the year ended December 31,
(pro forma)
(in millions of Brazilian Reais)

Commercial Banking	**2009**	**2008 (pro forma)**	**2008**
NET INTEREST INCOME	20,260	17,719	10,192
Income from equity instruments	30	39	37
Share of results of entities accounted for using the equity method	295	305	112
Net fee and commission income	4,970	4,866	3,602
Gains/losses on financial assets and liabilities (net)	1,751	(27)	(358)
Other operating income (expenses)	(281)	(8)	(22)
Gross income	**27,026**	**22,894**	**13,564**
Personnel expenses	(4,972)	(4,998)	(3,105)
Other administrative expenses	(5,213)	(5,621)	(3,485)
Depreciation and amortization of tangible and intangible assets	(1,176)	(1,160)	(798)
Provisions (net)	(3,390)	(1,631)	(1,161)
Impairment losses on financial assets (net)	(9,884)	(6,533)	(4,076)
Impairment losses on other assets (net)	(900)	(85)	(77)
Other non-financial gains (losses)	3,403	54	16
PROFIT (LOSS) BEFORE TAX	**4,894**	**2,919**	**878**

For the year ended December 31,
(pro forma)
(in millions of Brazilian Reais)

Global Wholesale	**2009**	**2008 (pro forma)**	**2008**
NET INTEREST INCOME	**1,767**	**1,440**	**1,214**
Income from equity instruments	0	0	0
Share of results of entities accounted for using the equity method	0	0	0
Net fee and commission income	863	641	449
Gains/losses on financial assets and liabilities (net)	859	797	541
Other operating income (expenses)	(23)	(66)	(38)
Gross income	**3,467**	**2,811**	**2,166**
Personnel expenses	(474)	(623)	(404)
Other administrative expenses	(175)	(207)	(130)
Depreciation and amortization of tangible and intangible assets	(39)	(72)	(44)
Provisions (net)	(45)	(38)	(39)
Impairment losses on financial assets (net)	(83)	(37)	(23)
Impairment losses on other assets (net)	0	0	0
Other non-financial gains (losses)	0	0	0
PROFIT (LOSS) BEFORE TAX	**2,651**	**1,835**	**1,526**

For the year ended December 31,
(pro forma)
(in millions of Brazilian Reais)

Asset Management and Insurance	2009	2008 (pro forma)	2008
NET INTEREST INCOME	**140**	**72**	**33**
Income from equity instruments	0	0	0
Share of results of entities accounted for using the equity method	0	0	0
Net fee and commission income	405	358	202
Gains/losses on financial assets and liabilities (net)	54	7	7
Other operating income (expenses)	188	(0)	(0)
Gross income	**787**	**437**	**242**
Personnel expenses	(65)	(53)	(40)
Other administrative expenses	(48)	(30)	(22)
Depreciation and amortization of tangible and intangible assets	(34)	(4)	(4)
Provisions (net)	(46)	(32)	(31)
Impairment losses on financial assets (net)	0	0	0
Impairment losses on other assets (net)	(1)	(0)	(0)
Other non-financial gains (losses)	0	0	0
PROFIT (LOSS) BEFORE TAX	**592**	**317**	**145**

Commercial Banking Segment Consolidated Results of Operations for the Year ended December 31, 2009 Compared to the Year ended December 31, 2008

Summary

Profit before income tax attributed to the Commercial Banking segment in 2009 was R$4.9 billion, a R$4.1 billion increase from R$878 million in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, profit before income tax attributed to the Commercial Banking segment in 2009 increased R$2.0 billion compared to R$2.9 billion in 2008.

Net Interest Income

Net interest income for the Commercial Banking segment in 2009 was R$20.3 billion, a 99% or R$10.1 billion increase from R$10.2 billion in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, net interest income for the Commercial Banking segment in 2009 increased 14% compared to R$17.7 billion in 2008. This increase was mainly due to increased average balances of loans and an increase in the average spread of our credit assets over interbank rates.

Share of Results of Entities Accounted for using the Equity Method

Share of results of entities accounted for using the equity method for the Commercial Banking segment in 2009 was R$295 million, a R$183 million increase from R$112 million in 2008. This increase was mainly due to gains of R$126 million from ABN Dois Participa ›es related to the sale of Real Capitaliza ‹o to Santander Seguros. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, share of results of entities accounted for using the equity method for the Commercial Banking segment in 2009 decreased 3% compared to R$305 million in 2008.

Net Fee and Commission Income

Net fees and commission income for the Commercial Banking segment in 2009 were R$5.0 billion, a 38% or R$1.4 billion increase from R$3.6 billion in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, net fees and commission income for the Commercial Banking segment in 2009 increased 2% compared to R$4.9 billion in 2008. This limited growth was mainly due to restrictions on banking fees imposed by our regulators starting in April 2008 which had a negative effect on our banking fees.

Gains/(Losses) on Financial Assets and Liabilities

Gains (losses) on financial assets and liabilities (net) for the Commercial Banking segment in 2009 were gains of R$1.8 billion, a R$2.1 billion increase from losses of R$358 million in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, gains (losses) on financial assets and liabilities (net) for the Commercial Banking segment in 2009 increased R$1.8 billion compared to losses of R$27 million in 2008. These gains were partially offset by losses recorded under exchange differences and resulting from our foreign currency exposure. The increase in gains in the prior period principally reflected a R$1.8 billion increase in gains on our Cayman Islands investment hedge, which was offset by an increase in income tax expenses, and a R$126 million increase in proceeds from the sale of long-term investments upon the sale of part of our interests in BOVESPA and BM&F in 2008 and 2009.

Other Operating Income/(Expenses)

Other operating income (expenses) for the Commercial Banking segment in 2009 were expenses of R$281 million, compared to expense of R$22 million 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, other operating income (expenses) for the Commercial Banking segment in 2008 amounted to an expense of R$8 million. This change was mainly a result of declines in banking fees for checking accounts and lending/leasing commissions due to limits imposed by the Central Bank starting in May 2008.

Personnel Expenses

Personnel expenses for the Commercial Banking segment increased from R$3.1 billion for the year ended December 31, 2008 to R$5.0 billion in 2009, a 60% or R$1.9 billion increase. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, personnel expenses for the Commercial Banking segment in 2008 decreased from R$4,998 million to R$4,972 million in 2009, a 1% or R$26 million decrease, reflecting the cost synergies resulting from the merger of Santander Brasil and Banco Real partially offset by higher personnel expenses in line with historical trends of salary increases tied to inflation.

Other General Administrative Expenses

Other general administrative expenses for the Commercial Banking segment increased from R$3.5 billion in 2008 to 5.2 billion in 2009, a 49% or R$1.7 billion increase. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, other general administrative expenses for the Commercial Banking segment in 2008 decreased from R$5.6 billion to R$5.2 billion in 2009, a 7% or R$408 million decrease, primarily due to cost synergies resulting from the merger of Santander Brasil and Banco Real.

Impairment Losses on Financial Assets (Net)

Impairment losses on financial assets (net) for the Commercial Banking segment in 2009 were R$9.9 billion, a 142% or R$5.8 billion increase from R$4.1 billion in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, impairment losses on financial assets (net) for the Commercial Banking segment in 2009 increased 51% compared to R$6.6 billion in 2008. This increase was mainly due to the deteriorating credit quality caused by worsening economic conditions in Brazil in the second half of 2008 and the first three quarters of 2009.

Provisions (Net)

Provisions principally include provisions for labor and tax contingences. Provisions (net) for the Commercial Banking segment were R$3.4 billion in 2009, compared to R$1.2 billion in 2008 or R$1.6 billion on a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008. This increase reflected increased provisions for labor and civil claims and provisions for restructuring costs associated with the Banco Real acquisition.

Impairment Losses on Non-Financial Assets (Net)

Other impairment losses on other assets (net) for the Commercial Banking segment in 2009 were R$900 million, a R$822 million increase from R$77 million in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, impairment losses on other assets (net) for the Commercial Banking segment in 2009 increased 959% compared to R$85 million in 2008. This increase was mainly due to increases in impairment on real properties as a result of closing certain of our office buildings in connection with the expected move to our new headquarters.

Global Wholesale Banking Consolidated Results of Operations for the Year ended December 31, 2009 Compared to the Year ended December 31, 2008

Summary

Profit before income tax attributed to the Global Wholesale Banking segment in 2009 was R$2.6 billion, a 73% or R$1.1 billion increase from R$1.5 billion in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, profit before income tax attributed to the Global Wholesale Banking segment in 2009 increased 44% compared to R$1.8 billion in 2008.

Net Interest Income

Net interest income for the Global Wholesale Banking segment in 2009 was R$1.8 billion, a 45% or R$553 million increase from R$1.2 billion in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, net interest income for the Global Wholesale Banking segment in 2009 increased 23% compared to R$1.4 billion in 2008, reflecting growth in the credit portfolio of our GB&M customers, principally trade finance.

Net Fee and Commission Income

Net fees and commission income for the Global Wholesale Banking segment in 2009 was R$863 million, a 92% or R$414 million increase from R$449 million in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, net fees and commission income for the Global Wholesale Banking segment in 2009 increased 35% compared to R$641 million in 2008. This increase was mainly due to an increase in trade finance business commissions resulting from a higher volume of transactions in 2009.

Gains/(Losses) on Financial Assets and Liabilities

Gains (losses) on financial assets and liabilities (net) for the Global Wholesale Banking segment in 2009 were gains of R$859 million, a 59% or R$319 million increase from gains of R$541 million in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, gains (losses) on financial assets and liabilities (net) for the Global Wholesale Banking segment in 2009 increased 8% compared to gains of R$797 million in 2008. This increase was mainly due to a R$138 million increase in earnings from our proprietary treasury business, partially offset by losses of R$76 million in derivatives transactions for our customers.

Other Operating Income/(Expenses)

Other operating income (expenses) for the Global Wholesale Banking segment in 2009 was expense of R$23 million, compared to expense of R$38 million in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, other operating income (expenses) for the Global Wholesale Banking segment in 2009 decreased 66% compared to expense of R$66 million in 2008.

Personnel Expenses

Personnel expenses for the Global Wholesale Banking segment increased from R$404 million in 2008 to R$474 million in 2009, a 17% or R$71 million increase. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, personnel expenses for the Global Wholesale Banking segment in 2009 decreased 24% compared to R$623 million in 2008, mainly due to cost synergies resulting from the merger of Santander Brasil and Banco Real.

Other General Administrative Expenses

Other general administrative expenses for the Global Wholesale Banking segment increased from R$130 million in 2008 to R$175 million in 2009, a 35% increase. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, other general administrative expenses for the Global Wholesale Banking segment in 2009 decreased 15% compared to R$207 million in 2008, mainly due to cost synergies resulting from the merger of Santander Brasil and Banco Real.

Impairment Losses on Financial Assets (Net)

Impairment losses on financial assets (net) for the Global Wholesale Banking segment in 2009 with losses of R$83 million, a R$60 million increase in losses from R$23 million in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, impairment losses on financial assets (net) for the Global Wholesale Banking segment in 2008 were losses of R$37 million.

Provisions (Net)

Provisions (net) for the Global Wholesale Banking segment were losses of R$45 million in 2009, compared to losses of R$39 million in 2008 and on a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008. Provisions principally include provisions for labor and tax contingencies.

Asset Management and Insurance Segment Consolidated Results of Operations for the Year ended December 31, 2009 Compared to the Year ended December 31, 2008

Summary

Profit before income tax attributed to the Asset Management and Insurance segment in 2009 was R$592 million, a 308% or R$447 million increase from R$145 million in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, profit before income tax attributed to the Asset Management and Insurance segment in 2009 increased 86% compared to R$317 million in 2008. On August 14, 2009, our shareholders transferred certain Brazilian asset management and insurance companies that were previously owned by Santander Spain to Santander Brasil, through a series of share exchange transactions (incorpora ›es de a ›es) in order to consolidate all of the Santander Group's Brazilian insurance and asset management operations into Santander Brasil. See "Summary—Recent Events" and "Business—Asset Management and Insurance." The results of operations for our Asset Management and Insurance segment include the results of these companies as from June 30, 2009.

Net Interest Income

Net interest income for the Asset Management and Insurance segment in 2009 was R$140 million, a 326% or R$107 million increase from R$33 million in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, net interest income for the Asset Management and Insurance segment in 2009 increased 93% compared to R$72 million in 2008. This increase was mainly due to the integration of the asset management and insurance operations transferred to us in August 2009.

Net Fee and Commission Income

Net fees and commission income for the Asset Management and Insurance segment in 2009 were R$405 million, a 100% or R$202 million increase from R$202 million in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, net fees and commission income for the Asset Management and Insurance segment in 2009 increased 13% compared to R$358 million in 2008. In addition, the level of net fees and commission income increased mainly due to an increase in net commissions on the sale of insurance. This increase is mainly due to the integration of the asset management and insurance transferred to us in August 2009.

Gains/(Losses) on Financial Assets and Liabilities

Gains (losses) on financial assets and liabilities (net) for the Asset Management and Insurance segment in 2009 were gains of R$54 million, a 672% or R$47 million increase from R$7 million in 2008. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, gains/(losses) on financial assets and liabilities (net) for the Asset Management and Insurance segment in 2009 increased R$47 million compared to R$7 million in 2008. This increase is mainly due to the integration of the asset management and insurance operations transferred to us in August 2009.

Other Operating Income/(Expenses)

Other operating income (expenses) for the Asset Management and Insurance segment in the year ended December 31, 2009 presented an income of R$188 million, a R$188 million increase compared to an expense of R$0 in the year ended December 31, 2008. This increase was due to the integration of the asset management and insurance operations transferred to us in August 2009. The change in other operating income (expenses) on a pro forma basis was the same, as this income (expenses) relates to the operations transferred to us in August 2009.

Personnel Expenses

Personnel expenses for the Asset Management and Insurance segment increased from R$40 million in 2008 to R$65 million in 2009, a 64% or R$25 million decrease. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008, personnel expenses for the Asset Management and Insurance segment in 2009 increased 22% compared to R$53 million in 2008, mainly due to cost synergies from the acquisition of Banco Real. This increase is mainly due to the incorporation of Asset and Insurance operations in August 2009, partially offset by the cost synergies resulting from the merger of Santander Brasil and Banco Real.

Other General Administrative Expenses

Other general administrative expenses for the Asset Management and Insurance segment increased from R$22 million in 2008 to R$48 million in 2009, a 119% or R$26 million increase. On a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008 other general administrative expenses increased 60% compared to R$30 million in 2008, mainly due to cost synergies from the acquisition of Banco Real. This increase is mainly due to the integration of the asset management and insurance operations transferred to us in August 2009, offset by the gains from the acquisition of Banco Real.

Provisions (Net)

Provisions (net) for the Asset Management and Insurance segment were R$46 million in 2009 compared to R$31 million in 2008 or R$32 million on a pro forma basis as if the acquisition of Banco Real had occurred as of January 1, 2008. Provisions principally include provisions for labor and tax contingencies. This increase was mainly due to the incorporation of the Asset and Insurance operations in August 2009.

New Accounting Pronouncements

Adoption of new standards and interpretations

All standards and interpretations which came into force were adopted by the Bank in 2009. The following are the standards and interpretations applicable to the Bank and adopted in 2009:

Revision of IAS 1 Presentation of Financial Statements: introduces certain changes in the presentation of financial statements, including changes to the titles of individual financial statements, as described below. The statement of changes in equity will only include changes in equity arising from transactions with owners acting in their capacity as owners. With respect to "non-owner" changes (e.g. transactions with third parties or income and expenses recognized directly in equity), entities are no longer permitted to present items of other comprehensive income separately in the statements of changes in equity. Such non-owner movements must be presented in a statement of comprehensive income and the total carried to the statement of changes in equity. All items of income and expense (including those recognized outside of profit or loss) must be presented either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement and a statement of comprehensive income). IAS 1 also introduces new reporting requirements when the entity applies a change in accounting policy retrospectively, makes a restatement or reclassifies items in previously issued statements.

Paragraph 10 of the revised IAS 1 provides the possibility of changing the names of the financial statements. The new terminology which may be used to refer to the financial statements is as follows:

- The balance sheet becomes the statement of financial position.
- The statement of recognized income and expense becomes the statement of comprehensive income.
- The statement of cash flows remains the same.

In preparing these financial statements the Bank has retained the names of the financial statements used in the consolidated financial statements for 2008.

Amendments to IAS 32 and IAS 1 – Puttable Financial Instruments and Obligations Arising on Liquidation: the amendments address the classification of puttable financial instruments and obligations arising only on liquidation. Following the amendments, these instruments are presented as equity provided that they meet certain criteria including that of being the most subordinated class, and provided that they evidence a residual interest in the net assets of the entity.

Amendments to IFRS 1 and IAS 27 -Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate: this amendment refers to separate financial statements and, therefore, is not applicable to consolidated financial statements.

Amendment to IFRS 7 Financial Instruments: the objective of this amendment aims to increase disclosure requirements, including the requirements for disclosure of fair value measurements and liquidity risk.

Amendment to IAS 39 and IFRIC 9 clarifying the treatment of embedded derivatives for companies which have made use of the Amendment to IAS 39 on reclassifications, issued by the IASB. These amendment clarifies that in a reclassification of an asset in the "financial assets at fair value through profit or loss" category all the embedded derivatives must be measured and, where necessary, accounted for separately in the financial statements.

IFRIC 13 Customer Loyalty Programmes: this interpretation addresses the accounting by entities that provide their customers with incentives to buy goods or services by providing awards as part of a sales transaction, such as credit card reward schemes.

Amendments to IAS 39, Eligible Hedged Items: These amendments establishes that inflation may only be designated as a hedged item if it is a contractually specified portion of the cash flows to be hedged. Only the intrinsic value and not the time value of a purchased option may be used as a hedge instrument.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation: this interpretation clarifies the following matters: (i) the exposure to foreign exchange differences between the functional currency of the foreign operation and the presentation currency of the parent cannot be designated as a hedged risk, and only the foreign currency exposure arising between the functional currency of the parent and that of its foreign operation qualifies for hedge accounting; (ii) the hedging instrument used to hedge the net investment may be held by any entity within the group, not necessarily by the parent of the foreign operation; and, (iii) it addresses how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item on disposal of the foreign operation.

IFRS 2, 'Share-based payment' – Vesting conditions and cancellations The IASB published an amendment to IFRS 2, 'Share-based payment', in January 2008. The changes pertain mainly to the definition of vesting conditions and the regulations for the cancellation of a plan by a party other than the company.

Improvements to IFRS' were issued in May 2008. The improvements contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after January 1, 2009, with earlier application permitted. The adoption of the above mentioned standards and interpretations did not have a material effect on the consolidated financial statements taken as a whole.

Standards and interpretations effective subsequent to December 31, 2009

The Bank has not yet adopted the following new or revised IFRS standards or interpretations, which have been issued but their effective date is subsequent to the date of our consolidated financial statements:

IFRS 9 – Financial Instruments: Recognition and Measurement – The main changes of IFRS 9 compared to IAS 39 are: (i) all financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs; (ii) new requirements for classifying and measuring financial assets – the standard divides all financial assets that are currently in the scope of IAS 39 in two classifications: amortized cost and fair value; (iii) the IAS 39's available for sale and held to maturity categories were eliminated; and (iv) the embedded derivatives concept of IAS 39 is not included in IFRS 9.

Amendments to IFRS 2 – The amendments to IFRS 2 provide additional guidance on the accounting for share-based payment transactions among group entities (incorporating guidance previously contained in IFRIC 11).

Revision of IFRS 3 Business Combinations and Amendment to IAS 27 Consolidated and Separate Financial Statements – introduce significant changes in several matters relating to accounting for business combinations, and are only applied prospectively. These changes include the following:

(i) acquisition costs must be expensed, rather than recognized as an increase in the cost of the business combination; (ii) in step acquisitions the acquirer must remeasure at fair value the investment held prior to the date that control is obtained; and (iii) there is an option to measure at fair value the minority interests of the acquiree, as opposed to the single current treatment of measuring them as the proportionate share of the fair value of the net assets acquired.

Revision to IAS 32: Classification of Rights Issues -Under the amendment to IAS 32 rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

IAS 38 Intangible Assets – Amendments to clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – This IFRIC has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognize prepayments of minimum funding contributions as an asset. Entities shall apply this Interpretation prospectively for annual periods beginning on or after January 1, 2011. The Bank's management estimates that the application of the amendments of IFRIC 14 will not have a material effect on the Bank's financial condition or results of operations.

IFRIC 17 Distributions of Non-cash Assets to Owners – The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

IFRIC 18 Transfers if Assets from Customers – The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from "customers" and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognize the asset at its fair value on the date of the transfer, with the credit recognized as revenue in accordance with IAS 18 Revenue.

Improvements to IFRS 'Improvements to IFRS' were issued in April 2009. They contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after January 1, 2010, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

Revision of IFRS 5 Non Current Assets Held for Sale and Discontinued Operation – Amendment to clarify that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.

Revision of IFRS 8 Operating Segments – Amendment to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker.

Revision of IAS 1 Presentation of Financial Statements – Clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

Revision of IAS 7 Statement of Cash Flows – Amendment to require that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities.

Revision of IAS 17 Leases – Deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17.

Revision of IAS 24 Related Party Disclosures – The revision of IAS 24 clarifies the definition of related parties.

Revision of IAS 36 Impairment of Assets – Amendment to clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8 Operating Segments.

Revision of IAS 39 Financial Instruments: Recognition and Measurement – Amendments to clarify (i) that prepayment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, should be considered closely related to the host debt contract; (ii) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date, the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction and the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions; (iii) when to recognize gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss; (iv) changes in impairment of financial assets as mentioned in the Exposure Draft 2009/12; and (v) changes in the requirements of derecognition of financial assets as mentioned in the Exposure Draft 2009/3.

We do not expect the adoption of the above-mentioned standards and interpretations to have a material effect on the consolidated financial statements taken as a whole.

Liquidity and Capital Resources

In line with the Santander Group's global funding policy, we primarily fund our operations independently of any of the other entities in the Santander Group.

Our asset and liability management is carried out within defined limits as determined by the Asset and Liability Management Committee, or "ALCO", which operates under guidelines and procedures established by the Santander Group, including limits for positioning in different areas of the Brazilian financial market. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Asset and Liability Management Committee" for further information regarding the ALCO.

The following table sets forth our capitalization as of December 31, 2009 and December 31, 2008.

(in millions of Brazilian Reais, except percentages)

	At December 31, 2009[1]		At December 31, 2008[1]	
	Amount	Ratio	Amount	Ratio
Tier 1 capital	42,358	20.7%	23,033	10.7%
Tier 2 capital	9,973	4.9%	8,504	4.0%
Tier 1 and 2 capital	52,331	25.6%	31,357	14.7%
Required Regulatory Capital[2]	22,483	N.A,	23,528	N.A.

[1] Based on Central Bank criteria, which disregards the goodwill effect.
[2] Includes credit, market and operational risk capital required.

Funding

We fund most of our assets with local deposits, in line with other Brazilian banks. In accordance with Brazilian regulations, we generally may not issue bonds in the local market. Our external foreign-currency bond issuances comprise a small portion of our total liabilities. We also sell government securities under agreements to repurchase for purposes of funding the overnight government bond market. In connection with the acquisition of Banco Real, Santander Spain provided funding to Santander Brasil of R$2.5 billion by means of the acquisition of certain GB&M loans that had been originated by ABN AMRO.

Deposits

The following tables present the composition of Santander Brasil's consolidated funding at the dates indicated.

Deposits	At December 31 (in millions of Brazilian Reais)		
	2009	2008	2007
Deposits from the Brazilian Central Bank and credit institutions			
Time deposits	20,838	26,721	11,949
Other demand accounts	195	66	61
Repurchase agreements	164	31	6,834
Total	21,197	26,818	18,844
Customer deposits			
Current accounts	15,140	15,298	6,588
Savings accounts	25,216	20,643	6,288
Other demand deposits	-	-	26
Time deposits	74,634	88,880	26,028
Repurchase agreements	34,450	30,674	16,281
Total	149,440	155,495	55,211
Total deposits	**170,637**	**182,313**	**74,055**

Short-Term Borrowings	At December 31, (in millions of Brazilian Reais, except percentages)					
	2009		2008		2007	
Securities sold under agreements to repurchase (principally Brazilian Government securities)	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
At December 31	34,614	9.9%	30,706	13.6%	23,115	11.2%
Average during year	32,493	11.5%	19,639	12.0%	21,567	11.0%
Maximum month-end balance	37,214	-	31,058	-	25,748	-
Total short-term borrowings at year-end (1)	**34,614**		**30,706**		**23,115**	

Deposits from the Central Bank and Credit Institutions

Our balance of deposits from the Central Bank and credit institutions increased from R$18.8 billion on December 31, 2007 to R$26.8 billion on December 31, 2008 and R$21.2 billion on December 31, 2009, representing 25%, 15% and 12% of total deposits, respectively. Excluding the effect of the acquisition of Banco Real, our deposits from the Central Bank and credit institutions were R$20.4 billion at December 31, 2008, representing 23% of total deposits at December 31, 2008. The variation from December 31, 2008 to December 31, 2009 was mainly generated by the depreciation of the real against the U.S. dollar of 25%.

[1] Included in Deposits from the Central Bank and credit institutions and customer deposits.

Customer Demand Deposits

Our balance of demand deposits (current accounts and other demand deposits) was R$6.6 billion as of December 31, 2007, R$15.3 billion as of December 31, 2008 and R$15.1 billion as of December 31, 2009, and our percentage of demand deposits to total deposits was 9% on December 31, 2007, 8% as of December 31, 2008 and 9% on December 31, 2009. Excluding the effect of the acquisition of Banco Real, our balance of demand deposits was R$5.3 million on December 31, 2008 and our percentage of demand deposits to total deposits was 6% on December 31, 2008. The 2008 variation, excluding the effect of the acquisition of Banco Real, was mainly a result of the global financial crisis which reduced the liquidity in the local market.

Customer Savings Deposits

After the Banco Real acquisition, our savings deposits increased from R$6.3 billion as of December 31, 2007 to R$20.6 billion as of December 31, 2008 and R$25.2 billion as of December 31, 2009, and our percentage of savings deposits to total deposits was 8% as of December 31, 2007, 11% as of December 31, 2008 and 15% as of December 31, 2009. Excluding the effect of the acquisition of Banco Real, our savings deposits were R$8.3 billion as of December 31, 2008, representing 9% of total deposits as of December 31, 2008. The increases from December 31, 2007 through December 31, 2009 reflected migration from investment funds towards lower risk bank deposits initially driven by a "flight to quality" (or movement to institutions and investment products perceived as being lower-risk), which continued until the end of 2008, thereafter increases were mainly due to the decline in the rates of return on fixed income investments due to the reduction of local interest rates, which caused regular saving accounts to be more attractive to investors.

Customer Time Deposits

Our balance of time deposits increased from R$26.0 billion as of December 31, 2007 to R$88.9 billion as of December 31, 2008 and R$74.6 billion as of December 31, 2009, representing 35%, 49% and 41% of total deposits, respectively. Excluding the effect of the acquisition of Banco Real, our time deposits were R$40.9 billion as of December 31, 2008, representing 46% of total deposits as of December 31, 2008. The 2008 variation excluding the effect of the acquisition of Banco Real was mainly due to migration from investment funds.

Customer Deposits – Repurchase Agreements

We maintain a portfolio of Brazilian public and private sector liquid debt instruments used to obtain overnight funds from other financial institutions or investment funds by selling such securities and simultaneously agreeing to repurchase them. Due to the short-term (overnight) nature of this funding source, such transactions are volatile, and are composed, generally, of Brazilian public securities. Securities sold under repurchase agreements increased from R$16.3 billion as of December 31, 2007 to R$30.7 billion as of December 31, 2008 and R$34.4 billion as of December 31, 2009, representing 22%, 17% and 20% of total funding, respectively. The variation from December 31, 2008 to December 31, 2009 was mainly movement of customer funds out of mutual funds and other similar vehicles into lower-risk bank deposits as well as a "flight to quality" as Brazilian customers moved their savings to larger financial institutions. Excluding the effect of the acquisition of Banco Real, securities sold under repurchase agreements were R$14.4 billion as of December 31, 2008, representing 16% of total funding as of December 31, 2008.

Other Funding

Marketable Debt Securities

As of December 31, 2009, we had R$11.4 billion in funds from issuance of marketable debt securities, representing 5.6% of our total funding. This amount includes (1) R$1.2 billion in Agribusiness Credit Notes (Letra de Crédito do Agronegócio), which are credit notes that are freely negotiable and represent an unconditional promise of payment in cash, issued exclusively by financial institutions, related to credit rights originated from transactions conducted between rural producers and their cooperatives and agents of the agribusiness production chain; (2) R$5.9 billion of Real Estate Credit Notes – LCI related to credit rights originated from real estate transactions; (3) R$2.8 billion in bonds and other securities; and (4) R$1.4 billion in securitization notes. We have entered into securitization transactions involving the sale of our right, title and interest in (but none of our obligations under) certain of our diversified payment rights, which consist of certain U.S. dollar-and euro-denominated payment orders received or to be received by us. Sales of such diversified payment rights are made to a special purpose company, which finances its purchases of such rights through the issue of notes.

Subordinated Debt

As of December 31, 2009, our subordinated debt included (1) U.S.$500 million in perpetual securities at a fixed rate of 8.7% per year with quarterly interest payments issued in September 2005, (2) R$10.4 billion of certificates of deposit issued by us in the local market in various issuances at average interest rates indexed to CDI or IPCA.

Contractual Obligations

Our contractual obligations at December 31, 2009 are summarized as follows:

				At December 31, 2009 (in millions of Brazilian Reais)	
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Contractual Obligations					
Deposits from central banks	240	240	-	-	-
Deposits from credit institutions	20,956	12,624	7,486	742	105
Customer deposits	149,440	104,632	40,770	4,032	6
Marketable debt securities	11,439	8,125	937	1,533	844
Subordinated liabilities	11,305	2	-	4,331	6,971
Total	**193,380**	**125,623**	**49,193**	**10,638**	**7,926**

The table above does not reflect amounts that we may have to pay on derivative contracts. The amounts ultimately payable will depend upon movements in financial markets. The aggregate fair value of all our derivative contracts as of December 31, 2009 was R$702 million.

In addition, we lease many properties under standard real estate lease contracts, which leases can be canceled at our option and include renewal options and escalation clauses. Total future minimum payments of non-cancelable operating leases as of December 31, 2009 is R$1,078 million, of which R$314 million matures in up to one year, R$687 million from one year to up to five years and R$76 million after five years. In 2008, we paid R$249 million under such leases and for the year ended December 31, 2009, we paid R$304 million under such leases.

Off-Balance Sheet Arrangements

We have entered into the normal course of business, several types of off-balance sheet arrangements, including lines and letters of credit and financial guarantees.

Lending-Related Financial Instruments and Guarantees

We utilize lines and letters of credit and financial guarantee instruments to meet the financing needs of our customers. The contractual amount of these financial instruments represents the maximum possible credit risk should the counterparty draw down the commitment or we fulfill our obligation under the guarantee and the counterparty subsequently fails to perform according to the terms of the contract. Most of these commitments and guarantees expire without the counterparty drawing on the credit line or a default occurring. As a result, the total contractual amount of these instruments does not represent our future credit exposure or funding requirements. Further, certain commitments, primarily related to consumer financing, are cancelable, upon notice, at our option.

The following table sets forth the maximum potential amount of future payments under credit and financial guarantees.

			At December 31, (in millions of Brazilian Reais)
	2009	2008	2007
Contingent liabilities			
Financial guarantees and other securities	20,506	24,765	14,835
Documentary credits	461	640	464
Total contingent liabilities	**20,967**	**25,405**	**15,299**
Commitments			
Loan commitments drawable by third parties	77,789	68,778	18,090
Securities placement commitments	3,438	9,615	3,646
Total commitments	**81,227**	**78,393**	**21,736**
Total	**102,194**	**103,798**	**37,035**

Selected Statistical Information

The following information for Santander Brasil is included for analytical purposes and is derived from and should be read in conjunction with the financial statements as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Average annual balance sheet data has been calculated based upon the average of the monthly balances at 13 dates: at December 31 of the prior year and each of the month-end balances of the 12 subsequent months. Average income statement and balance sheet data and other related statistical information for Santander Brasil have been prepared on a consolidated annual basis. As from August 30, 2008, our consolidated financial information includes data of Banco Real. We believe that the average data set forth herein accurately reflect in all material respects our financial condition and results of operations at the dates and for the periods specified.

The selected statistical information set forth below includes information at and for the years ended December 31, 2006 and 2005 derived from unaudited financial statements prepared in accordance with Brazilian GAAP. See "Presentation of Financial and Other Information". Because of the material differences in criteria and presentation between Brazilian GAAP and IFRS, such information is not comparable with the selected statistical data at and for the years ended December 31, 2009, 2008 and 2007. For a discussion of such differences, see note 45 to our financial statements. Accordingly, differences between amounts at and for the years ended December 31, 2006 and 2005 and the amounts at and for the years ended December 31, 2009, 2008 and 2007 may be due to differences between Brazilian GAAP and IFRS as well as the evolution of our financial condition and results of operations during these years.

Average Balance Sheet and Interest Rates

The following tables show our average balances and interest rates for each of the periods presented. With respect to the tables below and the tables under "— Changes in Net Interest Income — Volume and Rate Analysis" and "— Assets — Earning Assets — Yield Spread", (1) we have stated average balances on a gross basis, before netting our allowances for credit losses, except for the total average asset figures, which include such netting and (2) all average data have been calculated using month-end balances, which is not significantly different from having used daily averages. We stop accruing interest on loans once they are more than 60 days past due. All our non-accrual loans are included in the table below under "other assets".

IFRS – At December 31,
(in millions of Brazilian Reais, except percentages)

	2009			2008			2007		
Assets and Interest Income	Average Balance	Interest	Average Rate[1]	Average Balance	Interest	Average Rate[1]	Average Balance	Interest	Average Rate[1]
Cash and balances with the Brazilian Central Bank	17,879	1,667	9.3%	19,102	2,270	11.9%	15,717	1,894	12.0%
Loans and advances to credit institutions	31,122	2,901	9.3%	17,390	1,819	10.5%	8,788	701	8.0%
Loans and advances to customers	126,712	29,470	23.3%	72,178	16,297	22.6%	39,922	8,047	20.2%
Debt instruments	45,530	5,202	11.4%	22,543	3,327	14.8%	19,084	2,166	11.3%
Other interest-earning assets	-	103	-	-	55	-	-	389	-
Total interest-earning assets	**221,243**	**39,343**	**17.8%**	**131,213**	**23,768**	**18.1%**	**83,511**	**13,197**	**15.8%**
Equity instruments	7,746	30	0.4%	2,250	37	1.6%	3,254	36	1.1%
Investments in affiliated companies	506	-	-	255	-	-	46	-	-
Total earning assets	**229,495**	**39,373**	**17.2%**	**133,718**	**23,805**	**17.8%**	**86,811**	**13,233**	**15.2%**
Cash and balances with the Brazilian Central Bank	6,250	-	-	3,618	-	-	2,440	-	-
Due from credit entities	3,152	-	-	677	-	-	853	-	-
Impairment losses	(8,765)	-	-	(4,272)	-	-	(2,196)	-	-
Others assets	33,007	-	-	16,488	-	-	10,060	-	-
Tangible assets	3,690	-	-	1,977	-	-	1,022	-	-
Intangible assets	31,345	-	-	11,415	-	-	1,253	-	-
Total average assets	**298,174**	**39,373**	**13.2%**	**163,621**	**23,805**	**14.5%**	**100,243**	**13,233**	**13.2%**

IFRS – For the year ended December 31

Liabilities and Interest Expense									
Deposits from the Brazilian Central Bank	845	29	3.5%	14	-	-	-	-	-
Deposits from credit institutions	21,474	1,179	5.5%	21,411	1,631	7.6%	18,169	1,362	7.5%
Customer deposits	139,917	13,164	9.4%	75,816	9,146	12.1%	44,507	4,709	10.6%
Marketable debt securities	11,420	1,048	9.2%	6,331	549	8.7%	2,348	277	11.8%
Subordinated liabilities	10,676	1,077	10.1%	5,883	690	11.7%	4,180	452	10.8%
Other interest-bearing liabilities	-	679	-	-	314	-	-	202	-
Total interest-bearing liabilities	**184,332**	**17,176**	**9.3%**	**109,455**	**12,330**	**11.3%**	**69,204**	**7,002**	**10.1%**
Deposits from credit entities	100	-	-	80	-	-	67	-	-
Customer deposits – demand deposits	13,000	-	-	7,112	-	-	4,665	-	-
Others liabilities	44,546	-	-	23,863	-	-	15,785	-	-
Minority interest	4	-	-	1	-	-	-	-	-
Shareholders' equity	56,192	-	-	23,110	-	-	10,522	-	-
Total average liabilities and shareholders' equity	**298,174**	**17,176**	**5.8%**	**163,621**	**12,330**	**7.6%**	**100,243**	**7,002**	**7.6%**

Changes in Net Interest Income – Volume and Rate Analysis

The following tables allocate the changes in our net interest income between changes in average volume and changes in average rate for the year ended December 31, 2009 compared to the year ended December 31, 2008 and for the year ended December 31, 2008 compared to the year ended December 31, 2007. We have calculated volume variances based on movements in average balances over the period and rate variance based on changes in interest rates on average interest-earning assets and average interest-bearing liabilities. We have allocated variances caused by changes in both volume and rate to volume. You should read the following tables and the footnotes thereto in light of our observations noted in "— Average Balance Sheet and Interest Rates".

	IFRS – For the year ended 2009/2008 Increase (decrease) due to changes in (in millions of Brazilian Reais)			IFRS – For the year ended 2008/2007 Increase (decrease) due to changes in (in millions of Brazilian Reais)		
Interest and Similar Revenues	**Volume**	**Rate**	**Net Change**	**Volume**	**Rate**	**Net Change**
Interest-earning assets						
Cash and due from central banks	(138)	(465)	(603)	403	(26)	377
Due from credit entities	1,299	(216)	1,083	848	269	1,117
Loans and credits	12,669	505	13,174	7,182	1,067	8,249
Debt securities	2,765	(891)	1,874	437	724	1,161
Other interest-earning assets	49	-	49	(334)	-	(334)
Total interest-earning assets	**16,644**	**(1,067)**	**15,577**	**8,536**	**2,034**	**10,570**
Investments in equity securities	38	(45)	(7)	(13)	14	1
Total earning assets	**16,682**	**(1,112)**	**15,570**	**8,523**	**2,048**	**10,571**
Interest and Similar Expenses						
Interest-bearing liabilities						
Deposits from central bank	29	-	29	-	-	-
Due to credit entities	5	(456)	(451)	246	22	268
Customer deposits	6,382	(2,364)	4,018	3,700	737	4,437
Marketable debt securities	465	34	499	362	(90)	272
Subordinated debt	495	(108)	387	197	41	238
Other interest-bearing liabilities	366	-	366	112	-	112
Total interest-bearing liabilities	**7,742**	**(2,894)**	**4,848**	**4,617**	**710**	**5,327**

Assets

Earning Assets—Yield Spread

The following tables analyze our average earning assets, interest income and dividends on equity securities and net interest income and shows gross yields, net yields and yield spread for each of the periods indicated. You should read this table and the footnotes thereto in light of our observations noted in "— Average Balance Sheet and Interest Rates".

	IFRS – For the years ended December 31, (in millions of Brazilian Reais, except percentages)		
	2009	**2008**	**2007**
Average earning assets	229,495	133,718	86,811
Interest and dividends on equity securities[1]	39,373	23,805	13,233
Net interest income	22,167	11,438	6,195
Gross yield[2]	17.2%	17.8%	15.2%
Net yield[3]	9.7%	8.6%	7.2%
Yield spread[4]	7.8%	6.5%	5.1%

[1] Dividends on equity securities include dividends from companies accounted for by the equity method.
[2] Gross yield is the quotient of interest and dividends on equity securities divided by average earning assets.
[3] Net yield is the quotient of net interest income (that includes dividends on equity securities) divided by average earning assets.
[4] Yield spread is the difference between gross yield on earning assets and the average cost of interest-bearing liabilities.

Return on Equity and Assets

The following tables present our selected financial ratios for the periods indicated.

	IFRS For the years ended December 31,		
	2009	**2008**	**2007**
ROA: Return on average total assets	1.8%	1.5%	1.9%
ROE: Return on average shareholders' equity	9.8%	10.3%	18.1%
Average shareholder's equity as a percentage of average total assets	18.8%	14.1%	10.5%
Payout[(1)]	26.8%	35.8%	66.2%

[1] Divided payout ratio (dividends declared per share divided by net income per share).

Interest-Earning Assets

The following table shows the percentage mix of our average interest-earning assets for the years indicated. You should read this table in light of our observations noted in "— Average Balance Sheet and Interest Rates".

	IFRS For the years ended December 31,		
	2009	**2008**	**2007**
Cash and due from central banks	8.1%	14.6%	18.8%
Due from credit entities	14.1%	13.3%	10.5%
Loans and credits	57.2%	54.9%	47.8%
Debt securities	20.6%	17.2%	22.9%
Total interest-earning assets	100.0%	100.0%	100.0%

Loans and Advances to Credit Institutions

The following tables show our short-term funds deposited with other banks at each of the dates indicated.

	IFRS For the years ended December 31, (in millions of Brazilian Reais)		
	2009	**2008**	**2007**
Time deposits	9,945	10,703	1,861
Reverse repurchase agreements	6,160	4,583	739
Escrow deposits	6,192	6,201	2,629
Foreign currency investments	3,493	10,689	679
Other accounts	412	1,563	1,377
Total	**26,202**	**33,739**	**7,285**

Investment Securities

At December 31, 2009, the book value of the investment securities was R$75.5 billion (representing 23.9% of our total assets). Brazilian government securities totaled R$54.6 billion, or 72.2%, of our investment securities at December 31, 2009. For a discussion of how the investment securities are valuated, see notes 6 and 7 to the financial statements.

The following tables analyze the maturities and weighted average yields of our debt investment securities (before impairment allowances) at December 31, 2009. Yields on tax-exempt obligations have not been calculated on a tax-equivalent basis because we do not believe the effect of such a calculation would be material.

IFRS – At December 31, (in millions of Brazilian Reais)

	2009	2008	2007
Debt securities			
Brazilian government securities	54,581	37,493	14,338
Other domestic issuers	2,960	2,132	1,092
Total domestic	**57,541**	**39,625**	**15,430**
Less-allowance for credit losses	(30)	(29)	(14)
Total debt securities	**57,511**	**39,596**	**15,416**
Equity securities			
Equity securities	17,992	1,923	2,959
Less-price fluctuation allowance	-	-	-
Total equity securities	**17,992**	**1,923**	**2,959**
Total investment securities	**75,503**	**41,519**	**18,375**

As of December 31, 2009 and 2008, we held no securities of single issuers or related group of companies whose aggregate book or market value exceed 10% of stockholders' equity, other than the Brazilian government securities, which represented 79.4% of the stockholders' equity. Total debt securities aggregated values near 83.7% of the stockholders' equity.

The following table analyzes the maturities and weighted average yields of our debt investments securities (before impairment allowance at December 31, 2009). Yields on tax-exempt obligations have not been calculated on a tax equivalent basis because the effect on such calculation is not material.

IFRS – At December 31, (in millions of Brazilian Reais)

	Maturing within 1 year	Maturing between 1 and 5 years	Maturing between 5 and 10 years	Maturing after 10 years	Total	Average Yield
Debt Securities						
Brazilian government	15,781	32,442	2,443	3,915	54,581	10.9%
Other domestic issuers	283	1,359	1,181	137	2,960	8.7%
Total debt investment securities	**16,064**	**33,801**	**3,624**	**4,052**	**57,541**	**10.8%**

Loan Portfolio

At December 31, 2009, our total loans and advances to customers equaled R$138.4 billion (43.8% of our total assets). Net of allowances for credit losses, loans and advances to customers equaled R$128.3 billion at December 31, 2009 (40.6% of our total assets at December 31, 2009). In addition to loans, we had outstanding at December 31, 2009, 2008 and 2007 R$77.8 billion, R$68.8 billion and R$19.6 billion, respectively, of undrawn balances available to third parties.

Types of Loans by Type of Customer

Substantially all of our loans are to borrowers domiciled in Brazil and are denominated in reais. The following tables analyze our loans and advances to customers (including securities purchased under agreements to resell), by type of customer loan, at each of the dates indicated. For each category of loan, we maintain specific risk management policies in line with the standards of the Santander Group and as managed and monitored by our board of directors through the risk committee. Our credit approval processes for each category of loan are structured primarily around our business segments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management" for details on our credit approval policies for retail and wholesale lending.

We have a diversified loan portfolio with no specific concentration exceeding 10% of total loans.

IFRS – At December 31, (in millions of Brazilian Reais)

	2009	2008	2007
Commercial, financial and industrial[(1)]	69,301	76,407	32,879
Real estate-construction[(2)]	3,828	2,469	301
Real estate-mortgage[(3)]	5,226	4,472	1,692
Installment loans to individuals[(4)]	47,037	46,857	16,178
Lease financing[(5)]	13,002	12,444	402
Total loans and leases, gross[(6)]	**138,394**	**142,649**	**51,452**
Allowance for possible loan losses	(10,070)	(8,181)	(2,249)
Loans and leases, net of allowances	**128,324**	**134,468**	**49,203**

1 Includes primarily loans to small and medium-sized businesses, or SMEs, in our Commercial Banking segment, and to Global Banking & Markets, or GB&M, corporate and business enterprise customers in our Wholesale Global Banking segment. The principal products offered to SMEs in this category include revolving loans, overdraft facilities, installment loans, working capital and equipment finance loans. Credit approval for SMEs is based on customer income, business activity, collateral coverage and internal and external credit scoring tools. Collateral on commercial, financial and industrial lending to SMEs generally includes receivables, liens, pledges, guarantees and mortgages, with coverage generally ranging from 100% to 150% of the loan value depending on the risk profile of the loan. Our Wholesale Global Banking customers are offered a range of loan products ranging from typical corporate banking products (installment loans, working capital and equipment finance loans) to more sophisticated products (derivative and capital markets transactions). As Wholesale Global Banking customers tend to be larger businesses, credit approval is based on customer credit quality as evaluated by a specialized team of risk analysts taking account of, among other things, business revenues and credit history of each customer. Underwriting policies for this category of loans to our Wholesale Global Banking customers are focused on the type of guarantee or collateral provided. Certain loans (BNDES products) are generally secured by liens on financed machinery and equipment, though guarantees may also be provided as additional security.

2 Includes construction loans made principally to real estate developers that are SMEs and corporate customers in our Wholesale Global Banking Segment. Credit approval is carried out by a specialized team of risk analysts which follows a specific set of underwriting standards and analysis of each customer based on, among other things, business revenues and credit history. Loans in this category are generally secured by mortgages and receivables, though guarantees may also be provided as additional security.

3 Includes loans on residential real estate to individuals. Credit approval policies in this category are determined by reference to the type of lending product being offered, the type and location of the real estate, the revenue or income of the business or customer, respectively, requesting the loan and internal and external credit scoring information. All loans granted under this category are secured by the financed real estate. Loan to value ratios for loans in this category are generally limited to 80% and the average loan to value ratio for new loans is approximately between 50% and 60%.

4 Consists primarily of unsecured personal installment loans (including loans, the payments for which are automatically deducted from a customer's payroll), revolving loans, overdraft facilities, consumer finance facilities and credit cards. Credit approval in this category is based on individual income, debt to income ratio and internal and external credit scoring models. Credit approval for many of these types of loans is based on automatic scoring models, with pre-set lending limits based on credit scores. For example, the maximum lending amount on revolving loans and overdraft facilities may vary from between 50% and 250% of an individual's monthly income, depending on the specific product and credit score of the individual.

5 Includes primarily automobile leases and loans to individuals. Credit approval is based both on an automatic scoring model using external credit scores and on evaluation by our branch personnel following our risk management policies. The vehicle financed acts as collateral for the particular loan granted.

6 Includes the debit balances (financial assets) of all the credit and loans granted by the Bank, including money market operations through central counterparties, except for credit of any nature in the name of credit institutions or those represented by securities.

Brazilian GAAP – At December 31, (in millions of Brazilian Reais)

	2006	2005
Commercial, financial and industrial	23,571	18,186
Real estate	1,232	1,009
Installment loans to individuals	12,303	9,297
Lease financing	403	490
Total loans and leases, gross[(1)]	**37,509**	**28,982**
Allowance for possible loan losses	(1,622)	(1,197)
Loans and leases, net of allowances	**35,887**	**27,785**

1 Includes all loans granted by the Bank, considered as credit portfolio under Central Bank Resolution No. 2,682. Certain assets accounted for as loans under IFRS are not so accounted under Brazilian GAAP.

Maturity

The following tables set forth an analysis by maturity of our loans and advances to customers by type of loan at December 31, 2009.

IFRS Maturity – At December 31,
(in millions of Brazilian Reais, except percentages)

	Less than one year		One to five years		Over five years		Total	
	Balance	% of Total	Balance	% of Total	Balance	% of Total	Balance	% of Total
Commercial, financial and industrial	41,298	56.2%	26,125	43.9%	1,879	35.1%	69,302	50.1%
Real estate	2,706	3.7%	3,496	5.9%	2,852	53.2%	9,054	6.5%
Installment loans to individuals	23,718	32.3%	22,698	38.1%	621	11.6%	47,037	34.0%
Lease financing	5,766	7.8%	7,231	12.1%	4	0.1%	13,001	9.4%
Total loans and leases, gross	**73,488**	**100.0%**	**59,550**	**100.0%**	**5,356**	**100.0%**	**138,394**	**100.0%**

Fixed and Variable Rate Loans

The following table sets forth a breakdown of our fixed and variable rate loans having a maturity of more than one year at December 31, 2009.

Fixed and variable rate loans having a maturity of more than one year
(in millions of Brazilian Reais)

	2005
Fixed rate	45,080
Variable rate	19,826
Total	**64,906**

Cross-Border Outstandings

The following table sets forth, at the dates indicated, the aggregate amount of our cross-border outstandings (which consist of loans, interest-bearing deposits with other banks, acceptances and other monetary assets denominated in a currency other than the home-country currency of the office where the item is booked) where outstandings in the borrower's country exceeded 0.75% of our total assets. Cross-border outstandings do not include local currency loans made by subsidiary banks in other countries to the extent that such loans are funded in the local currency or hedged. As a result, they do not include the majority of the loans by our Cayman branch, which are fully hedged.

IFRS – At December 31,
(in millions of Brazilian Reais, except percentages)

	2009		2008		2007	
	Balance	% of Total Assets	Balance	% of Total Assets	Balance	% of Total Assets
OECD countries[1]:						
Austria	571	0,2%	4,937	1,7%	-	0.0%
Spain	1,289	0.4%	3,734	1.3%	1,630	1.5%
United States	2,383	0.8%	1,288	0.4%	273	0.3%
Other OECD countries[2]	673	0.2%	1,495	0.5%	577	0.5%
Total OECD	4,916	1.6%	11,454	3.9%	2,480	2.3%
Non-OECD countries:						
Latin American countries[2]	79	0.0%	147	0.1%	264	0.2%
Ilhas Cayman	3,615	1.1%	-	0.0%	-	0.0%
Other[2]	258	0.1%	2,182	0.7%	388	0.4%
Total non OCDE	**3,952**	**1.2%**	**2,329**	**0.8%**	**652**	**0.6%**
Total	**8,868**	**2.8%**	**13,783**	**4,7%**	**3,132**	**2.9%**

[1] The Organization for Economic Cooperation and Development.
[2] Aggregate outstandings in any single country in this category do not exceed 0.75% of our total assets.

The following table sets forth the amounts of our cross-border outstandings at December 31, 2009, 2008 and 2007 by type of borrower where outstandings in the borrower's country exceeded 0.75% of total assets.

IFRS – (in millions of Brazilian Reais)

	Government	Banks and Others Financial Institutions	Commercial and Industrial	Others	Total
2007					
Spain	-	1,625	5	-	1,630
Total	**-**	1,625	**5**	**-**	**1,630**
2008					
Austria	401	-	4,536	-	4,937
Spain	-	3,730	4	-	3,734
Total	**401**	**3,730**	**4,540**	**-**	**8,671**
2009					
United States	-	2,239	-	144	2,383
Ilhas Cayman	496	-	3,075	44	3,615
Total	**496**	**2.239**	**3.075**	**188**	**5.998**

Movements in Allowances for Credit Losses

The following tables analyze movements in our allowances for credit losses for the periods indicated. For further discussion of movements in the allowances for credit losses, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations for the Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008 – Impairment Losses on Financial Assets (Net)" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations for the Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007 — Impairment Losses on Financial Assets (Net)".

IFRS – For the years ended December 31,
(in millions of Brazilian Reais)

	2009	2008	2007
Balance beginning of period	**8,181**	**2,249**	**2,170**
Acquired companies	-	4,717	-
Net additions	10,520	4,534	2,474
Charge offs	(8,631)	(3,319)	(2,395)
Balance end of period	**10,070**	**8,181**	**2,249**

Brazilian GAAP – Year Ended December 31,
(in millions of Brazilian Reais)

	2006	2005
Balance beginning of period	**1,197**	**916**
Net additions	1,522	817
Charge offs	(1,097)	(539)
Others	-	3
Balance end of period	**1,622**	**1,197**

The tables below show a breakdown of recoveries, net provisions and charge-offs against credit loss allowance by type and domicile of borrower for the periods indicated.

IFRS – For the years ended December 31, (in millions of Brazilian Reais)

	2009	2008	2007
Recoveries of loans previously charged off[1]	**537**	**430**	**294**
Commercial, financial and industrial	42	144	101
Real estate – mortgage	58	29	11
Installment loans to individuals	420	246	163
Lease finance	17	11	19
Acquired companies	**-**	**4,717**	**-**
Commercial, financial and industrial	-	1,988	-
Real estate – mortgage	-	48	-
Installment loans to individuals	-	2,610	-
Lease finance	-	71	-
Net provisions for credit losses[1]	**10,521**	**4,533**	**2,474**
Commercial, financial and industrial	3,072	1,452	261
Real estate – mortgage	28	26	6
Installment loans to individuals	7,198	2,951	2,180
Lease finance	223	104	27
Charge-offs against credit loss allowance	**(8,631)**	**(3,319)**	**(2,395)**
Commercial, financial and industrial	(3,073)	(739)	(310)
Real estate – mortgage	(31)	(13)	(7)
Installment loans to individuals	(5,377)	(2,513)	(2,028)
Lease finance	(150)	(54)	(50)

[1] Impairment losses on financial assets, net, as reported in our consolidated financial statements, reflect net provisions for credit losses less recoveries of loans previously charged off.

	Brazilian GAAP As of December 31, (in millions of Brazilian Reais)	
	2006	2005
Recoveries of loans previously charged off	**355**	**210**
Commercial, financial and industrial	147	74
Real estate – mortgage	15	9
Installment loans to individuals	175	111
Lease finance	18	16
Acquired companies	**-**	**-**
Commercial, financial and industrial	-	-
Real estate – mortgage	-	-
Installment loans to individuals	-	-
Lease finance	-	-
Net provisions for credit losses	**1,522**	**817**
Commercial, financial and industrial	376	162
Real estate – mortgage	13	(5)
Installment loans to individuals	1,087	635
Lease finance	46	25
Charge-offs against credit loss allowance	**(1,098)**	**(538)**
Commercial, financial and industrial	(227)	(145)
Real estate – mortgage	(13)	(7)
Installment loans to individuals	(833)	(362)
Lease finance	(25)	(24)

The tables below show a breakdown of allowances for credit losses by type of borrowers and the percentage of loans in each category as a share of total loans at the date indicated.

	IFRS – At December 31, (in millions of Brazilian Reais, except percentages)					
	2009	% of total loans	2008	% of total loans	2007	% of total loans
Borrowers						
Commercial and industrial	3,386	52.8%	3,387	55.3%	686	64.5%
Mortgage loans	90	3.8%	94	3.1%	33	3.3%
Installment loans to individuals	6,336	34.0%	4,515	32.8%	1,467	31.4%
Lease financing	258	9.4%	185	8.7%	63	0.8%
Total	**10,070**	**100.0%**	**8,181**	**100.0%**	**2,249**	**100.0%**

	Brazilian GAAP – Year Ended December 31, (in millions of Brazilian Reais, except percentages)			
	2006	% of total loans	2005	% of total loans
Borrowers				
Commercial and industrial	432	62.9%	282	62.8%
Mortgage loans	20	3.3%	20	3.5%
Installment loans to individuals	1,102	32.8%	848	32.0%
Lease financing	68	1.0%	47	1.7%
Total	**1,622**	**100.0%**	**1,197**	**100.0%**

Impaired Assets

The following tables show our impaired assets, excluding country-risk.

	IFRS – At December 31, (in millions of Brazilian Reais, except percentages)		
	2009	2008	2007
Non-performing assets			
Past-due and other non-performing assets[1]	9,899	7,730	2,093
Non-performing loans as a percentage of total loans	7.2%	5.4%	4.1%
Net loan charge-offs as a percentage of total loans	6.2%	2.3%	4.7%

[1] Includes at December 31, 2009, R$484 million of doubtful loans (2008 -R$1,260 million and 2007 R$66 million) of doubtful loans that were not past-due and therefore were accounted for on an accrual basis. In the period ended December 31, 2009, the amount of interest owed on non-accruing assets that would have been recorded had such assets accrued interest from January 1, 2009 would have been R$982 million. In 2008, the amount of interest on non-accruing assets that would have been recorded had such assets accrued interest from January 1, 2008 would have been R$658 million. No loan that was more than 60 days past due was accounted for on an accrual basis.

	Brazilian GAAP – At December 31, (in millions of Brazilian Reais, except percentages)	
	2006	2005
Non-performing assets		
Past-due and other non-performing assets	1,796	1,225
Non-performing loans as a percentage of total loans	4.8%	4.2%
Net loan charge-offs as a percentage of total loans	2.9%	1.9%

Evolution of Impaired Assets

The following tables show the movement in our impaired assets (excluding country risk).

	IFRS – At December 31, (in millions of Brazilian Reais)		
	2009	2008	2007
Opening balance	7,730	2,093	2,010
Net additions	10,800	5,035	2,478
Writeoffs	(8,631)	(3,319)	(2,395)
Increase in scope of consolidation	-	3,921	-
Closing balance	**9,899**	**7,730**	**2,093**

	Brazilian GAAP – At December 31, (in millions of Brazilian Reais)	
	2006	2005
Opening balance	1,225	951
Net additions	1,668	813
Writeoffs	(1,097)	(539)
Closing balance	**1,796**	**1,225**

The international financial turmoil, initiated in the second half of 2008, negatively impacted the steady growing of credit risk portfolio observed over the last years in the Brazilian financial market. The economic effects such as demand restrictions, decrease on industrial production, unemployment growth and consumption downturn, brought severe restrictions to credit offer and quality deterioration of the existing credit portfolio.

From a portfolio perspective, all the credit admission policies were reviewed in order to become more restricted, whilst allowing the choice of clients with profiles closer to the corporate credit risk policy.

Starting in the last quarter of 2008, we have aligned our risk policies with those from Banco Real, which impacted the evolution of net provision for credit losses expenses on that period and on the first quarter of 2009.

Non-performing assets increased R$2.2 billion, or 28%, in the year ended in December 31, 2009, compared to the year ended on December 31, 2008. The main increase occurred on individuals portfolio, with figures of R$807 million, or 37%, of increase.

Otherwise, at the end of the fourth quarter of 2009 non-performing assets and default rates decreased when compared to the end of the third quarter of 2009, showing signs of enhancements of our credit portfolio, disregarding the sazonality low default rates, usual on this period. The following table sets forth our non-performing assets by type of loan for each of the dates indicated.

IFRS – At December 31, (in millions of Brazilian Reais)

	2009	2008	2007
Impaired assets			
Commercial, financial and industrial	3,618	2,730	502
Real estate – mortgage	109	74	23
Installment loans to individuals	5,335	4,528	1,558
Lease financing	837	398	10
Total	**9,899**	**7,730**	**2,093**

Impaired Asset Ratios

The following tables show the ratio of our impaired assets to total computable credit risk and our coverage ratio at the dates indicated.

IFRS – At December 31, (in millions of Brazilian Reais, except percentages)

	2009	2008	2007
Computable credit risk[1]	159,362	164,695	64,558
Non-performing assets	9,899	7,730	2,093
Allowances for credit losses	10,070	8,181	2,249
Ratios			
Non-performing assets to computable credit risk	6.2%	4.7%	3.2%
Coverage ratio[2]	101.7%	105.8%	107.5%

[1] Computable credit risk is the sum of the face amounts of loans and leases (including non-performing assets but excluding country risk loans), guarantees and documentary credits.
[2] Allowances for non-performing assets as a percentage of non-performing assets.

Brazilian GAAP – At December 31, (in millions of Brazilian Reais, except percentages)		
	2006	**2005**
Computable credit risk[(1)]	37,509	28,982
Non-performing assets	1,796	1,225
Allowances for credit losses	1,622	1,197
Ratios		
Non-performing assets to computable credit risk	4.8%	4.2%
Coverage ratio[(2)]	90.3%	97.7%

[1] Computable credit risk is the sum of the face amounts of loans and leases (including non-performing assets but excluding country risk loans), guarantees and documentary credits.
[2] Allowances for non-performing assets as a percentage of non-performing assets.

Foreclosed Assets

The following tables show the movements in our foreclosed assets at the dates indicated.

IFRS – At December 31, (in millions of Brazilian Reais, except percentages)			
	2009	**2008**	**2007**
Opening balance	291	193	207
Foreclosures	229	167	73
Sales	(183)	(166)	(87)
Acquired companies	19	97	-
Gross foreclosed assets	**356**	**291**	**193**
Allowances established	(184)	(178)	(161)
Allowance as a percentage of foreclosed assets	51.7%	61.2%	83.4%
Closing balance (net)	**172**	**113**	**32**

[(1)] Computable credit risk is the sum of the face amounts of loans and leases (including non-performing assets but excluding country risk loans), guarantees and documentary credits.
[(2)] Allowances for non-performing assets as a percentage of non-performing assets.

Liabilities

Deposits

The principal components of our deposits are customer demand, time and notice deposits, and international and domestic interbank deposits. Our retail customers are the principal source of our demand, time and notice deposits.

The following tables analyze our deposits at the dates indicated.

IFRS – At December 31,
(in millions of Brazilian Reais)

	2009	2008	2007
Deposits from central banks and credit institutions			
Time deposits	20,838	26,721	11,949
Other demand accounts	195	66	61
Repurchase agreements	164	31	6,834
Total	**21,197**	**26,818**	**18,844**
Customer deposits			
Current accounts	15,140	15,298	6,614
Savings accounts	25,216	20,643	6,288
Time deposits	74,634	88,879	26,028
Repurchase agreements	34,450	30,675	16,281
Total	**149,440**	**155,495**	**55,211**
Total deposits	**170,637**	**182,313**	**74,055**

The following tables show the maturity of time deposits (excluding inter-bank deposits) in denominations of $100,000 or more at the dates indicated. Large denomination customer deposits may be a less stable source of funds than demand and savings deposits.

IFRS – At December 31,
(in millions of Brazilian Reais)

	Domestic	International
Under 3 months	7,876	2,435
3 to 6 months	7,011	-
6 to 12 months	10,359	-
Over 12 months	20,013	2
Total	**45,259**	**2,437**

Short-Term Borrowings

The following tables show our short-term borrowings consisting of Brazilian government securities that we sold under agreements to repurchase for purpose of funding our operations.

As of December 31,
(in millions of Brazilian Reais, except percentages)

	2009		2008		2007	
	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
Securities sold under agreements to repurchase (principally Brazilian government securities)						
At December, 31	34,614	9.9%	30,706	13.6%	23,115	11.2%
Average during the period	32,493	11.5%	19,639	12.0%	21,567	11.0%
Maximum month-end balance	37,214		31,058		25,748	
Total short-term borrowings at year end	**34,614**		**30,706**		**23,115**	

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PARECER DOS AUDITORES INDEPENDENTES

Aos Administradores e Acionistas do
Banco Santander (Brasil) S.A.
São Paulo - SP

1. Examinamos os balanços patrimoniais consolidados do Banco Santander (Brasil) S.A. e controladas ("Banco"), levantados em 31 de dezembro de 2009 e de 2008, e as respectivas demonstrações consolidadas do resultado, das receitas e despesas reconhecidas, das mutações do patrimônio líquido e dos fluxos de caixa correspondentes aos exercícios findos em 31 de dezembro de 2009, de 2008 e de 2007, elaborados sob a responsabilidade da Administração do Banco. Nossa responsabilidade é a de expressar uma opinião sobre essas demonstrações financeiras com base em nossos exames.

2. Nossos exames foram conduzidos de acordo com as normas brasileiras de auditoria e compreenderam: (a) o planejamento dos trabalhos, considerando a relevância dos saldos, o volume de transações e os sistemas contábil e de controles internos do Banco e controladas; (b) a constatação, com base em testes, das evidências e dos registros que suportam os valores e as informações contábeis divulgados; e (c) a avaliação das práticas e das estimativas contábeis mais representativas adotadas pela Administração do Banco e controladas, bem como da apresentação das demonstrações financeiras tomadas em conjunto.

3. Em nossa opinião, as demonstrações financeiras consolidadas referidas no parágrafo 1 representam adequadamente, em todos os aspectos relevantes, a posição patrimonial e financeira do Banco em 31 de dezembro de 2009 e de 2008, o resultado de suas operações, as mutações consolidadas de seu patrimônio líquido e os seus fluxos de caixa consolidados correspondentes aos exercícios findos em 31 de dezembro de 2009, de 2008 e de 2007, de acordo com as Normas Internacionais de Contabilidade (IFRS) emitidas pelo International Accounting Standards Board - IASB.

4. As práticas contábeis adotadas no Brasil diferem, em certos aspectos, das Normas Internacionais de Contabilidade (IFRS) emitidas pelo IASB. As informações relacionadas à natureza e ao efeito dessas diferenças estão apresentadas na Nota 45 das demonstrações financeiras consolidadas.

São Paulo, 25 de março de 2010

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU
Auditores Independentes
CRC nº 2 SP 011609/O-8

Francisco Antonio Maldonado Sant'Anna
Contador
CRC nº 1 SP 120424/O-8

2009-1679

BANCO SANTANDER (BRASIL) S.A.

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2009 AND 2008
(Thousands of Brazilian Reais)

ASSETS	Note	2009	2008
CASH AND BALANCES WITH THE BRAZILIAN CENTRAL BANK	4	27,269,012	23,700,500
FINANCIAL ASSETS HELD FOR TRADING		20,115,652	19,986,000
Loans and advances to credit institutions	5	67,170	-
Debt instruments	6	12,554,035	10,011,999
Equity instruments	7	2,544,441	678,993
Trading derivatives	8 & 41-a	4,950,006	9,295,008
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		16,294,460	5,574,961
Loans and advances to credit institutions	5	1,907,265	4,046,898
Loans and advances to customers	9	389,113	1,434,789
Debt instruments	6	210,973	93,274
Equity instruments	7	13,787,109	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS		46,406,120	30,735,681
Debt instruments	6	44,745,924	29,491,191
Equity instruments	7	1,660,196	1,244,490
LOANS AND RECEIVABLES		152,162,954	162,725,106
Loans and advances to credit institutions	5	24,228,143	29,691,635
Loans and advances to customers	9	127,934,811	133,033,471
HEDGING DERIVATIVES	41-a	163,425	106,321
NON-CURRENT ASSETS HELD FOR SALE	10	171,464	112,824
INVESTMENTS IN ASSOCIATES	11	419,122	633,595
TANGIBLE ASSETS	12	3,701,769	3,829,074
INTANGIBLE ASSETS		31,617,939	30,995,287
Goodwill	13	28,312,236	27,488,426
Other intangible assets	14	3,305,703	3,506,861
TAX ASSETS		15,779,222	12,919,894
Current		2,162,063	1,150,737
Deferred	23	13,617,159	11,769,157
OTHER ASSETS	15	1,871,437	2,870,604
TOTAL ASSETS		**315,972,576**	**294,189,847**

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

BANCO SANTANDER (BRASIL) S.A.

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2009 AND 2008

(Thousands of Brazilian Reais)

LIABILITIES AND EQUITY	Note	2009	2008
FINANCIAL LIABILITIES HELD FOR TRADING		4,434,734	11,209,600
Trading derivatives	8 & 41-a	4,401,709	11,197,268
Short positions	8	33,025	1 2,332
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		1,795	307,376
Deposits from credit institutions	16	1,795	307,376
FINANCIAL LIABILITIES AT AMORTISED COST		203,567,734	213,973,314
Deposits from the Brazilian central bank	16	240,113	184,583
Deposits from credit institutions	16	20,955,846	26,325,636
Customer deposits	17	149,440,156	155,494,839
Marketable debt securities	18	11,439,010	12,085,655
Subordinated liabilities	19	11,304,445	9,197,429
Other financial liabilities	20	10,188,164	10,685,172
HEDGING DERIVATIVES	41-a	9,806	264,771
LIABILITIES FOR INSURANCE CONTRACTS	2-z	15,527,197	-
PROVISIONS		9,480,262	8,915,245
Provisions for pensions funds and similar obligations	21	1,096,799	1,078,916
Provisions for contingent liabilities, commitments and other provisions	21	8,383,463	7,836,329
TAX LIABILITIES		9,456,537	6,156,101
Current		5,588,680	3,025,207
Deferred	23	3,867,857	3,130,894
OTHER LIABILITIES	22	4,227,768	3,526,962
TOTAL LIABILITIES		246,705,833	244,353,369
EQUITY SHAREHOLDERS' EQUITY	26	68,706,363	49,317,582
Issued capital		62,612,455	47,152,201
Reserves		2,161,302	1,240,031
Profit for the year attributable to the Parent		5,507,606	2,378,395
Less: Dividends and remuneration		(1,575,000)	(1,453,045)
VALUATION ADJUSTMENTS		559,042	513,617
Available-for-sale financial assets	25	791,966	795,412
Cash flow hedges	25	(232,924)	(281,795)
MINORITY INTERESTS	24	1,338	5,279
TOTAL EQUITY		**69,266,743**	**49,836,478**
TOTAL LIABILITIES AND EQUITY		**315,972,576**	**294,189,847**

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

BANCO SANTANDER (BRASIL) S.A.

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Thousands of Brazilian Reais, except for per share data)

	Note	2009	2008	2008
Interest and similar income	29	39,342,956	23,767,814	13,197,368
Interest expense and similar charges	30	(17,175,865)	(12,329,845)	(7,002,082)
INTEREST INCOME / (net)		**22,167,091**	**11,437,969**	**6,195,286**
Income from equity instruments	31	29,903	36,972	36,387
Income from companies accounted for by the equity method	11	295,414	112,330	5,884
Fee and commission income	32	7,148,164	4,809,014	3,363,518
Fee and commission expense	33	(910,402)	(555,311)	(265,546)
Gains/losses on financial assets and liabilities (net)	34	2,716,323	(1,286,113)	1,516,664
Held for trading		2,032,272	(1,214,846)	254,128
Other financial instruments at fair value through profit or loss		(10,132)	39,956	24,873
Financial instruments not measured at fair value through profit or loss		755,916	320,307	1,236,856
Other		(61,733)	(431,530)	807
Exchange differences (net)	35	(51,191)	1,475,779	381,587
Other operating income (expense)	36	(115,624)	(59,817)	132,924
TOTAL INCOME		**31,279,678**	**15,970,823**	**11,366,704**
Administrative expenses		(10,947,217)	(7,184,937)	(4,460,217)
Personnel expenses	37	(5,510,972)	(3,548,162)	(2,384,267)
Other general expenses	38	(5,436,245)	(3,636,775)	(2,075,950)
Depreciation and amortization	12 & 14	(1,248,612)	(846,005)	(579,746)
Provisions (net)	21	(3,480,693)	(1,230,317)	(1,196,412)
Impairment losses on financial assets (net)		(9,966,404)	(4,099,284)	(2,159,437)
Loans and receivables	9	(9,982,881)	(4,102,645)	(2,179,843)
Other financial instruments not measured at fair value through profit or loss		16,477	3,361	20,406
Impairment losses on other assets (net)		(900,554)	(77,277)	(298,082)
Other intangible assets	14	(859,216)	(52,002)	(227,533)
Other assets		(41,338)	(25,275)	(70,549)
Gains on disposal of assets not classified as non-current assets held for sale	39	3,369,301	6,611	861
Gains on non-current assets held for sale not classified as discontinued operations	40	31,630	9,219	13,470
OPERATING PROFIT BEFORE TAX		**8,137,129**	**2,548,833**	**2,687,141**
Income taxes	23	(2,629,165)	(170,207)	(784,142)
CONSOLIDATED PROFIT FOR THE YEAR		**5,507,964**	**2,378,626**	**1,902,999**
Profit attributable to the Parent		5,507,606	2,378,395	1,902,999
Profit attributable to minority interests	24	358	231	-
EARNINGS PER SHARE (Brazilian reais)				
Basic and diluted earnings per 1,000 share (reais)				
Common shares		15.32	11.59	14.02
Preferred shares		16.85	12.75	15.43
Weighted average shares outstanding (in thousands) – Basic and diluted				
Common shares		183,650,861	104,926,194	69,383,705
Preferred shares		159,856,132	91,168,064	60,285,449

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

BANCO SANTANDER (BRASIL) S.A.

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Thousands of Brazilian Reais)

	2009	2008	2007
CONSOLIDATED PROFIT FOR THE YEAR	**5,507,964**	**2,378,626**	**1,902,999**
OTHER RECOGNIZED INCOME AND EXPENSE	**45,425**	**(1,023,427)**	**(46,824)**
Available-for-sale financial assets	62,088	(1,099,982)	(58,787)
Revaluation gains/losses	818,004	(779,675)	1,178,069
Amounts transferred to income statement	(755,916)	(320,307)	(1,236,856)
Cash flow hedges	65,017	(447,792)	-
Revaluation gains/losses	65,017	(447,792)	-
Income taxes	(81,680)	524,347	11,963
TOTAL RECOGNIZED INCOME AND EXPENSE	**5,553,389**	**1,355,199**	**1,856,175**
Attributable to the Parent	5,553,031	1,354,968	1,856,175
Attributable to minority interests	358	231	-
TOTAL	**5,553,389**	**1,355,199**	**1,856,175**

BANCO SANTANDER (BRASIL) S.A.
CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Thousands of Brazilian Reais)

	Equity Attributable to the Parent									
	Shareholders' Equity									
	Share Capital	Reserves	Treasury Shares	Profit Attributed to the Parent	Dividends and Remuneration	Total Shareholders' Equity	Valuation Adjustments	Total	Minority Interests	Total Equity
Balances at January 1, 2007	**6,831,448**	**1,263,450**	**-**	**-**	**(559,033)**	**7,535,865**	**1,583,868**	**9,119,733**	**57**	**9,119,790**
Total recognized income and expense	**-**	**-**	**-**	**1,902,999**	**-**	**1,902,999**	**(46,824)**	**1,856,175**	**-**	**1,856,175**
Other Changes in Equity										
Dividends/Remuneration	-	(559,033)	-	-	(1,705,735)	(2,264,768)	-	(2,264,768)	-	(2,264,768)
Capital increase	1,500,000	-	-	-	-	1,500,000	-	1,500,000	-	1,500,000
Other	-	(2,617)	-	-	-	(2,617)	-	(2,617)	-	(2,617)
Balances at December 31, 2007	**8,331,448**	**701,800**	**-**	**1,902,999**	**(2,264,768)**	**8,671,505**	**1,537,044**	**10,208,523**	**57**	**10,208,580**
Total recognized income and expense	**-**	**-**	**-**	**2,378,395**	**-**	**2,378,395**	**(1,023,427)**	**1,354,968**	**231**	**1,355,199**
Other Changes in Equity	-	1,902,999	-	(1,902,999)	-	-	-	-	-	-
Dividends/Remuneration	-	(2,264,768)	-	-	811,723	(1,453,045)	-	(1,453,045)	-	(1,453,045)
Capital increase	38,820,753	900,000	-	-	-	39,720,753	-	39,720,753	-	39,720,753
Other	-	-	-	-	-	-	-	-	4,991	4,991
Balances at December 31, 2008	**47,152,201**	**1,240,031**	**-**	**2,378,395**	**(1,453,045)**	**49,317,582**	**513,617**	**49,831,199**	**5,279**	**49,836,478**
Total recognized income and expense	-	-	-	5,507,606	**-**	**5,507,606**	**45,425**	**5,553,031**	**358**	**5,553,389**
Other Changes in Equity	-	2,378,395	-	(2,378,395)	-	-	-	-	-	-
Dividends/Remuneration	-	(1,453,045)	-	-	(121,955)	(1,575,000)	-	(1,575,000)	-	(1,575,000)
Capital increase	15,460,254	-	-	-	-	15,460,254	-	15,460,254	(4,046)	15,456,208
Acquisition of own shares	-	-	(1,948)	-	-	(1,948)	-	(1,948)	-	(1,948)
Other	-	(4,079)	1,948	-	-	(2,131)	-	(2,131)	(253)	(2,384)
Balances at December 31, 2009	**62,612,455**	**2,161,302**	**-**	**5,507,606**	**(1,575,000)**	**68,706,389**	**559,042**	**69,265,405**	**1,338**	**69,266,743**

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

BANCO SANTANDER (BRASIL) S.A.

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Thousands of Brazilian Reais)

	2009	2008	2007
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit for the year	5,507,964	2,378,626	1,902,999
Adjustments to profit	10,885,192	5,108,513	4,211,636
Depreciation of tangible assets	447,138	301,731	237,695
Amortization of intangible assets	801,474	544,274	342,051
Impairment losses on other assets (net)	859,216	52,002	227,533
Provisions (net)	13,463,574	5,332,962	3,376,255
Gains (net) on disposal of tangible assets and investments	(3,369,301)	(6,611)	(861)
Share of results of entities accounted for using the equity method	(295,414)	(112,330)	(5,884)
Changes in deferred tax assets and liabilities	(1,021,495)	(1,003,515)	34,847
Net (increase) decrease in operating assets:	**(11,825,066)**	**(38,972,480)**	**3,472,971**
Brazilian central bank compulsory deposits	(1,588,979)	(958,826)	(1,257,825)
Financial assets held for trading	2,129,972	(1,450,457)	10,700,999
Other financial assets at fair value through profit or loss	78,642	(3,927,155)	(1,647,806)
Available-for-sale financial assets	(13,703,838)	(3,979,372)	9,527,782
Loans and receivables	1,182,820	(27,988,641)	(14,078,839)
Other assets	76,317	(668,029)	228,660
Net increase (decrease) in operating liabilities:	**(16,781,599)**	**18,275,075**	**5,856,990**
Financial liabilities held for trading	(6,776,832)	5,394,798	2,332,780
Other financial liabilities at fair value through profit or loss	(305,581)	(382,909)	690,285
Financial liabilities at amortized cost	(9,816,481)	15,048,503	6,760,404
Other liabilities	117,295	(1,785,317)	(3,926,479)
Total net cash flows from operating activities[1]	**(12,213,509)**	**(13,210,266)**	**15,444,596**
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Investments	**(3,282,214)**	**(2,791,665)**	**(1,570,030)**
Tangible assets	(1,815,803)	(2,103,308)	(326,858)
Intangible assets	(1,466,411)	(688,357)	(1,243,172)
Net cash received on acquisition of subsidiary	**-**	**12,147,982**	**-**
Divestments	**5,862,334**	**600,613**	**59,902**
Subsidiaries, jointly controlled entities and associates	4,436,325	-	-
Tangible assets	1,426,009	600,613	59,902
Total net cash flows from investing activities[2]	**2,580,120**	**9,956,930**	**(1,510,128)**
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Capital increase	12,986,710	800,000	607,043
Acquisition of own shares	(1,948)	-	-
Issuance of subordinated liabilities	1,507,000	651,000	-
Issuance of other long-term liabilities	14,746,518	12,148,373	2,370,030
Dividends paid	(1,540,914)	(1,502,647)	(900,010)
Redemption of other long-term liabilities	(16,080,145)	(8,378,657)	(1,918,130)
Increase/Decrease in minority interests	(4,299)	-	-
Total net cash flows from financing activities[3]	**11,612,922**	**3,718,069**	**158,933**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (1+2+3)	**1,979,533**	**464,733**	**14,093,401**
Cash and cash equivalents at beginning of year	**16,750,870**	**16,286,137**	**2,192,736**
Cash and cash equivalents at end of year	**18,730,403**	**16,750,870**	**16,286,137**
Non-cash transactions:			
Loans transferred to foreclosed assets	(183,195)	166,579	73,348
Shares issued in connection with acquisition of Banco ABN AMRO Real S.A. and ABN AMRO Brasil Dois Participações S.A.	-	38,920,753	-
Shares issued in conection with acquisition of Santander Seguros S.A., Banco Commercial e de Investimento Sudameris S.A. and Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A.	2,471,413	-	-
Dividends and interest on capital declared but not paid	1,451,529	1,413,748	1,463,350
Supplemental information:			
Interest received	37,399,672	22,468,869	12,926,559
Interest paid	16,860,547	11,952,981	7,108,238
Taxes paid	1,973,257	918,677	392,791

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

1. Introduction, basis of presentation of the consolidated financial statements and other information

a) Introduction

Banco Santander (Brasil) S.A. (the "Bank" or "Santander" or "Banco Santander"), indirectly controlled by Banco Santander, S.A., with headquarters in Spain (Banco Santander Spain), is the lead institution of the financial and non-financial brazilian Santander Group companies with the Brazilian Central Bank, established as a corporation, with main offices at Rua Amador Bueno, 474, Santo Amaro, S‹o 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 conglomerate of financial institutions that operate on an integrated basis in the financial and capital markets.

On February 2, 2010, it was approved by the Board of Directors, the change of the Head office of Banco Santander to Avenida Presidente Juscelino Kubitschek, 2041 and 2235 – Bloco A, Vila Olimpia, S‹o Paulo.

As discussed in note 3, Banco ABN AMRO Real S.A. (Banco Real) and ABN AMRO Brasil Dois Participa ›es S.A. ("AAB Dois Par") and their respective subsidiaries were consolidated by the Bank as from August 2008.

b) Global Offering of shares

The Board of Directors' meeting held on September 18, 2009 approved the implementation of the public offering, denominated Global Offering, which included the issue of 525,000,000 Units (Each representing one of 55 common shares and 50 preferred shares), all registered shares, without par value, free and clear of any liens or encumbrances, consisting of the simultaneous initial public offering of, (i) of Units in Brazil (Brazilian Offering), on the over-the-counter, in accordance with Brazilian Securities and Exchange Commission (CVM) Instruction 400/2003, and (ii) Units abroad, including in the form of ADRs representing ADSs registered with the U.S. Securities and Exchange Commission (SEC) under the Securities Act of 1933 the United States of America.

At the same meeting was approved the listing of Banco Santander and the trade of the Units of common shares and preferred shares in BMF&Bovespa stock exchange -Securities, Commodities and Futures exchanges (BMF&Bovespa stock exchange) level 2 Corporate Governance Practices.

The Global Offering was coordinated on a firm guarantee of settlement. Under the Article 24 of CVM Instruction 400/2003, the total number of Units/ADSs initially offered in the Global Offering (excluding the Additional Units, as defined below) was increased in 6.85 %, i.e., which means 35,955,648 Units, in the form of ADSs under the same conditions and at the same price of the Units/ADSs initially offered (Supplemental Units), according to the options granted to Credit Suisse Securities (USA) LLC, designed to meet a possible excess of demand over the Global Offering (Supplemental Option).

Under the Article 14, paragraph 2 of CVM Instruction 400, the total number of Units initially offered (not including the supplemental Units) could have been but were not increased. (to a maximum of 4.76%), i.e., up to 25,000,000 Units, including the form of ADSs under the same conditions and at the same price initially offered the Units (Additional Units).

The Brazilian Offering was directed in the Retail Offer, to Non-Institutional Investors and the Institutional Offer to Institutional Investors.

On October 6, 2009, the Global Offering shares were priced at R$23.50 per Unit. The Units are traded on the BM&FBOVESPA and the New York Stock Exchange (NYSE) as of October 7, 2009.

The other characteristics and terms set out in the "Final Global Offering Prospect for the Initial Public Offering of Certificates of Deposit Shares (Units) Issuance of Banco Santander (Brasil) S.A.", dated October 6,2009, and the Notice to the Market, is available at www.santander.com.br and the website of the CVM and its English version of the Prospectus on Form-F1, available on the SEC website.

On October 29, 2009, due to the completion of the Global Offering and the partial exercise of the Supplemental Option, the Bacen approved the capital increase.

The results of the Global Offering was disclosed under the closing announcement published in issues of Valor Econômico on November 10, 2009.

c) Basis of presentation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements for the year ended December 31, 2008 and 2007 were the first to be prepared in accordance with IFRS, with a date of first implementation of January 1, 2007 (opening balance sheet). The statutory financial statements have been prepared locally in Brazil in accordance with accounting practices established by Brazilian Corporate Law and standards established by the National Monetary Council (CMN), the Brazilian Central Bank (BACEN) and the Brazilian Securities Commission (CVM), the National Council of Private Insurance (CNSP) and the Superintendency of Private Insurance (SUSEP). Hereafter it shall be referred to as "Brazilian GAAP".

The note 45 to the consolidated financial statements contains the reconciliation of the shareholders' equity and the results for the year ended December 31, 2007, and in accordance to the CVM regulation, the years ended December 31, 2009 and 2008.

The notes to the consolidated financial statements contain supplementary information to that presented in the consolidated balance sheet, consolidated income statement, consolidated statement of recognize income and expense, consolidated statement of changes in total equity and consolidated cash flow statement. The Notes provide, in a clear, relevant, reliable and comparable manner, narrative descriptions and breakdowns of these financial statements.

All accounting policies and measurement bases with a material effect on the consolidated financial statements were applied in their preparation. There were no changes in accounting policies and estimates during the year ended on December 31, 2009.

The financial statements for the year ended on December 31, 2009 was approved by the Board of Directors at the meeting held on March 25, 2010.

Adoption of new standards and interpretations

All standards and interpretations which came into force were adopted by the Bank in 2009. Following are the standards and interpretations aplicable to the Bank:

-Revision of IAS 1: Presentation of Financial Statements: introduces certain changes in the presentation of financial statements, including changes to the titles of individual financial statements, since balance sheet could be also referred to as a statement of financial position. The statement of changes in equity will only include changes in equity arising from transactions with owners acting in their capacity as owners. As regards "non-owner" changes (e.g. transactions with third parties or income and expenses recognized directly in equity), entities are no longer permitted to present items of other comprehensive income separately in the statements of changes in equity. Such non-owner movements must be presented in a statement of comprehensive income and the total carried to the statement of changes in equity. All items of income and expense (including those recognized outside of profit or loss) must be presented either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement and a statement of comprehensive income). IAS 1 also introduces new reporting requirements when the entity applies a change in accounting policy retrospectively, makes a restatement or reclassifies items in previously issued statements.

Paragraph 10 of the revised IAS 1 provides the possibility of changing the names of the financial statements. The new terminology which could be used to refer to the financial statements is as follows:

- The balance sheet becomes the statement of financial position.
- The statement of recognised income and expense becomes the statement of comprehensive income.
- The statement of cash flows does not undergo any terminology changes.

In preparing these financial statements the Bank has retained the names of the financial statements used in the consolidated financial statements for 2008.

-Amendments to IFRS 1 and IAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate: this amendment refers to separate financial statements and, therefore, is not applicable to consolidated financial statements.

-Amendment to IFRS 7 Financial Instruments: the objective of this amendment is basically to increase disclosure requirements. It increases the requirements for disclosure of fair value measurement and liquidity risk.

-Amendment to IAS 39 and IFRIC 9 clarifying the treatment of embedded derivatives for companies which have made use of the Amendment to IAS 39 on reclassifications, issued by the IASB. This amendment clarifies that in a reclassification of an asset in the "financial assets at fair value through profit or loss" category all the embedded derivatives must be measured and, where necessary, accounted for separately in the financial statements.

-IFRIC 13 Customer Loyalty Programmes: this interpretation addresses the accounting by entities that provide their customers with incentives to buy goods or services by providing awards as part of a sales transaction, such as credit card reward schemes.

-Amendments to IAS 39, Eligible Hedged Items: this amendment establishes that inflation may only be designated as a hedged item if it is a contractually specified portion of the cash flows to be hedged. Only the intrinsic value and not the time value of a purchased option may be used as a hedge instrument.

-IFRIC 16 Hedges of a Net Investment in a Foreign Operation: this interpretation clarifies the following matters: (i) the exposure to foreign exchange differences between the functional currency of the foreign operation and the presentation currency of the parent cannot be designated as a hedged risk, and only the foreign currency exposure arising between the functional currency of the parent and that of its foreign operation qualifies for hedge accounting; (ii) the hedging instrument used to hedge the net investment may be held by any entity within the Bank, not necessarily by the parent of the foreign operation; and, (iii) it addresses how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item on disposal of the foreign operation.

-IFRS 2 Share-based payment: Vesting conditions and cancellations The IASB published an amendment to IFRS 2, 'Share-based payment', in January 2008. The changes pertain mainly to the definition of vesting conditions and the regulations for the cancellation of a plan by a party other than the company.

Improvements to IFRS' were issued in May 2008. They contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after January 1, 2009 , with earlier application permitted. The adoption of the above-mentioned standards and interpretations did have not a material effect on the consolidated financial statements taken as a whole.

Standards and interpretations effective subsequent to December 31, 2009

The Bank has not yet adopted the following new or revised IFRS or Interpretations, which have been issued but their effective date is subsequent to the date of these financial statements:

-IFRS 9 – Financial Instruments: Recognition and Measurement – The main changes of IFRS 9 compared to IAS 39 are: (i) all financial assets are initially measured at fair value and, in the case of a financial asset not at fair value through profit or loss, plus transactions costs. (ii) new requirements for classifying and measuring financial assets. The standard divides all financial assets that are currently in the scope of IAS 39 in two classifications: amortised cost and fair value (iii) the IAS 39's available for sale and held to maturity categories were eliminate. (iv) the embedded derivatives concept of IAS 39 is not included in IFRS 9.

-Amendments to IFRS 2 : The amendment of IFRS 2 provide additional guidance on the accounting for share-based payment transactions among group entities (incorporating guidance previously contained in IFRIC 11).

-Revision of IFRS 3 Business Combinations and Amendment to IAS 27 Consolidated and Separate Financial Statements: introduce significant changes in several matters relating to accounting for business combinations, and only applied prospectively. These changes include the following: acquisition costs must be expensed, rather than recognized as an increase in the cost of the business combination; in step acquisitions the acquirer must remeasure at fair value the investment held prior to the date that control is obtained; and there is an option to measure at fair value the minority interests of the acquiree, as opposed to the single current treatment of measuring them as the proportionate share of the fair value of the net assets acquired.

-Revision to IAS 32: Classification of Rights Issues: otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

-IAS 38 Intangible Assets: Amendments to clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.

-IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

-IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction-This IFRIC has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognise prepayments of minimum funding contributions, as an asset. Entities shall apply this Interpretation prospectively for annual periods beginning on or after January 1, 2011. The Company's management estimates that the application of the amendments of IFRIC 14 will not have a material effect on the Company's financial condition or results of operations.

-IFRIC 17 Distributions of Non-cash Assets to Owners -The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

-IFRIC 18 Transfers of Assets from Customers -The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 Revenue.

Improvements to IFRS 'Improvements to IFRS' were issued in April 2009. They contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards.

Most of the amendments are effective for annual periods beginning on or after 1 January 2010, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

-Revision of IFRS 5 Non Current Assets Held for Sale and Discontinued Operation -Amendment to clarify that IFRS 5 specifies the disclosures required in respect of noncurrent assets (or disposal groups) classified as held for sale or discontinued operations.

-Revision of IFRS 8 Operating Segments -Amendment to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker.

-Revision of IAS 1 Presentation of Financial Statements -Clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

-Revision of IAS 7 Statement of Cash Flows - Amendment to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities.

-Revision of IAS 17 Leases -Deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17.

-Revision of IAS 24 Related Party Disclosures – The revision of IAS 24 clarifies the definition of related parties.

-Revision of IAS 36 Impairment of Assets -Amendment to clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8 Operating Segments.

-Revision of IAS 39 Financial Instruments: Recognition and Measurement – Amendments to clarify (i) that prepayment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, should be considered closely related to the host debt contract; (ii) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date, the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction and the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions; (iii) when to recognise gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss; (iv) changes in impairment of financial assets as mentioned in the Exposure Draft 2009/12; and (v) changes in the requirements of derecognition of financial assets as mentioned in the Exposure Draft 2009/3.

The Bank does not expect the adoption of the above-mentioned standards and interpretations to have a material effect on the consolidated financial statements taken as a whole, except to IFRS 9, which the Bank is analyzing the impacts from the adoption of this standard.

d) Estimates made

The consolidated results and the determination of consolidated equity are influenced by the accounting policies, assumptions, estimates and measurement bases used by the management of the Bank in preparing the consolidated financial statements. The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. The main accounting policies and measurement bases are set forth in Note 2.

In the consolidated financial statements estimates were occasionally made by the senior executives of the Bank and of the consolidated entities in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates, which were made on the basis of the best information available, relate basically to the following:

-Fair value measurement of certain financial instruments

The fair value of a financial instrument is the value at which it could be bought or sold in a current transaction between knowledgeable, willing parties on an arm's length basis. If a quoted price in an active market is available for an instrument, the fair value is calculated based on that price.

If there is no market price available for a financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving the same or similar instruments and, in the absence thereof, on the basis of valuation techniques, using valuation techniques commonly used by the financial markets as follows:

- The present value method for valuing financial instruments permitting static hedging (principally, forwards and swaps) and loans and advances. Expected future cash flows are discounted using the interest rate curves of the applicable currencies. The interest rate curves are observable market data.
- The Black-Scholes model for valuing financial instruments requiring dynamic hedging (principally structured options and other structured instruments). Certain observable market inputs are used in the Black-Scholes model to generate variables such as the bid-offer spread, exchange rates, volatility, correlation between indexes and market liquidity, as appropriate.
- Each of the present value method and Black-Scholes models is used for valuing financial instruments exposed to interest rate risk, such as interest rate futures, caps and floors.
- The Bank uses dynamic models similar to those used in the measurement of interest rate risk for measuring credit risk of linear instruments (such as bonds and fixed-income derivatives. The methodology used for fair value measurements of certain financial instruments is further described in note 2.d.

-The allowance for loan losses

The Bank cover losses inherent in debt instruments not measured at fair value taking into account the historical experience of impairment and other circumstances known at the time of assessment. For these purposes, inherent losses are losses incurred at the reporting date, calculated using statistical methods that have not yet been allocated to specific transactions.

The Bank uses the concept of incurred loss to quantify the cost of the credit, using statistical models that consider the following three factors: "exposure at default", "probability of default" and "loss given default", as further discussed in note 2.g.

-The impairment losses on certain assets other than loans (including goodwill and other intangible assets)

Certain assets, including goodwill, other intangible assets and equity method investments are subject to impairment review. We record impairment charges when we believe there is objective evidence of impairment, or that the cost of the assets may not be recoverable. Assessment of what constitutes impairment is a matter of significant judgment.

- Tangible assets are further discussed in note 2.k,
- Intangible assets are further discussed in note 2.m
- Other assets are further discussed in note 2.n

Other assets are further discussed in note 2.n

The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments and other obligations;

The Bank provides pension plans in the form of both defined contribution plans and defined benefit plans, in accordance with IAS 19.

The actuarial valuation is dependent upon a series of assumptions; the principal ones being:

- assumed interest rates;
- mortality tables;
- annual social security pension revision rate;
- price inflation;
- annual salary growth rate, and
- the method used to calculate vested commitments to current employees.

Post-employment benefits are further discussed in note 2.u.

-The recognition and measurement of deferred tax items.

As discussed in note 2.x, deferred tax assets are only recognized for temporary differences to the extent that it is considered probable that the combined entities will have sufficient future taxable profits against which the deferred tax assets can be utilized. Other deferred tax assets (tax loss and tax credit carryforwards) are only recognized if it is considered probable that the combined entities will have sufficient future taxable profits against which they can be utilized. In accordance with the current regulation, the expected realization of the Banks' tax credits, is based on the projection of future income and technical studies.

These estimates are based on current expectations and estimates on projections of future events and trends, which may affect the consolidated financial statements. The principal assumptions that may affect these estimates, in addition to those previously mentioned above, relate to the following factors:

- Changes in deposit amounts, customer basis and defaults by borrowers
- Changes in interest rates
- Changes in inflation rates
- Government regulation and tax matters
- Adverse legal or regulatory disputes or proceedings
- Credit, market and other risks of lending and investment activities
- Changes in market values of Brazilian securities, particularly Brazilian government securities
- Changes in regional, national and international business and economic conditions

e) Capital management

The Bank's capital management is performed at regulatory and economic levels.

Regulatory capital management is based on the analysis of the capital base and the capital ratios using the criteria of Brazilian Central Bank. The aim is to achieve a capital structure that is as efficient as possible in terms of both cost and compliance with the requirements of regulators, ratings agencies and investors. Active capital management includes securitizations, sales of assets, preference and subordinated issues of equity instruments and hybrid instruments.

From an economic standpoint, capital management seeks to optimize value creation at the Bank and at its different business segment. To this end, the economic capital, RORAC (return on risk-adjusted capital) and value creation data for each business segment are generated, analyzed and reported to the management committee on a quarterly basis. Within the framework of the internal capital adequacy assessment process (Pillar 2 of the Basel Capital Accord), the Group uses an economic capital measurement model with the objective of ensuring that there is sufficient capital available to support all the risks of its activity in different economic scenarios, with the solvency levels agreed upon by the Group.

In order to adequately manage the Bank's capital, it is essential to estimate and analyze future needs, in anticipation of the various phases of the business cycle. Projections of regulatory and economic capital are made based in financial projectinos (balance sheet, income statement, etc.) and on macroeconomic scenarios estimated by the Economic Research Service. These estimates are used by the Bank as a reference to plan the management actions (issues, securitizations, etc.) required to achieve its capital targets.

In addition, certain stress scenarios are simulated in order to assess the availability of capital in adverse situations. These scenarios are based on sharp fluctuations in macroeconomic variables, GDP, interest rates, stock market indexes, etc. that mirror historical crises that could happen again.

2. Accounting policies and measurement bases

The accounting policies and measurement bases applied in preparing the consolidated financial statements were as follows:

a) Foreign currency transactions

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Brazilian Reais, the functional currency of the Bank and the presentation currency for the consolidated financial statements. The assets and liabilities that are monetary items are converted by exchange rates at the end of the period, the non-monetary items are stated at historical cost in foreign exchange rates at the date of such transactions and the income statement balances is converted by the average exchange rates for the period.

The exchange differences arising on the translation of foreign currency balances to the functional currency are generally recognized at their net amount under "Exchange differences" in the consolidated income statement, except for exchange differences arising on financial instruments at fair value through profit or loss, which are recognized in the consolidated income statement without distinguishing them from other changes in fair value, and for exchange differences arising on non-monetary items measured at fair value through equity, which are recognized under "Valuation adjustments -Exchange differences".

b) Basis of consolidation

i. Subsidiaries

"Subsidiaries" are defined as entities over which the Bank has the capacity to exercise control; this capacity is, in general but not exclusively, presumed to exist when the Parent owns directly or indirectly half or more of the voting power of the investee or, even if this percentage is lower , when as in the case of agreements with shareholders of the investee, the Bank is granted control. Control is the power to govern the financial and operating policies of an entity, as stipulated by the law, the Bylaws or agreement, so as to obtain benefits from its activities.

The financial statements of the subsidiaries are fully consolidated with those of the Bank. Accordingly, all balances and transactions between consolidated entities are eliminated on consolidation.

On acquisition of a subsidiary, its assets, liabilities and contingent liabilities are recognized at fair value at the date of acquisition. Any positive differences between the acquisition cost and the fair values of the identifiable net assets acquired are recognized as goodwill (note 13). Negative differences are charged to income on the date of acquisition.

Additionally, the share of third parties of the Bank's equity is presented under "Minority interests" in the consolidated balance sheet (note 24). Their share of the profit for the year is presented under "Profit attributable to minority interests" in the consolidated income statement. Changes in the Bank's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Bank's interests and the minority interests are adjusted to reflect the changes in their relative interests in the subsidiary.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

The Appendix I contains significant information on these entities.

ii. Interests in joint ventures (jointly controlled entities) and associates

"Joint ventures" are deemed to be ventures that are not subsidiaries but which are jointly controlled by two or more unrelated entities. This is evidenced by contractual arrangements whereby two or more entities ("ventures") acquire interests in entities (jointly controlled entities) or undertake operations or hold assets so that strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers.

Associates are entities over which the Bank is in a position to exercise significant influence, but not control or joint control, usually because it holds 20% or more of the voting power of the investee.

In the consolidated financial statements, interest in joint ventures and investments in associates are accounted for using the equity method, i.e. at the Bank's share of net assets of the investee, after taking into account the dividends received there from and other equity eliminations. In the case of transactions with an associate, the related profits or losses are eliminated to the extent of the Bank's investment in the associate.

iii. Special purpose entities

When the Bank incorporates special purpose entities, or holds ownership interests therein, to enable its customers to access certain investments, or for the transfer of risks or other purposes, it determines, using internal criteria and procedures, and taking into consideration the applicable legislation, whether control (as defined above) exists and, therefore, whether these entities should be consolidated. These criteria and procedures take into account, inter alia, the risks and rewards retained by the Bank and, accordingly, all relevant matters are taken into consideration, including any guarantees granted or any losses associated with the collection of the related assets retained by the Bank. These entities include the securitization special purpose vehicles, which are fully consolidated in the case of the SPVs over which, based on the aforementioned analysis, it is considered that the Bank continues to exercise control.

iv. Business combinations, acquisitions and disposals

A business combination is the bringing together of two or more separate entities or economic units into one single entity or group of entities and is accounted for in accordance with IFRS 3, "Business Combinations".

Business combinations are performed whereby the Bank obtains control over an entity are recognized for accounting purposes as follows:

- The Bank measures the cost of the business combination, defined as the fair value of the assets given, the liabilities incurred and the equity instruments issued, if any.
- The fair values of the assets, liabilities and contingent liabilities of the acquired entity or business, including any intangible assets which might not have been recognized by the acquiree, are estimated and recognized in the consolidated balance sheet.

- Any positive difference between the net fair value of the assets, liabilities and contingent liabilities of the acquiree and the cost of the business combination is recognized as Goodwill based on future economic benefits.

Appendix I include relevant information on the Bank companies that were consolidated. Similar information regarding companies accounted for under the equity method by the Bank is provided in note 11.

Also, note 3 below includes a description of the most significant transaction carried out in 2008 and 2009.

c) Definitions and classification of financial instruments

i. Definitions

A "financial instrument" is any contract that gives rise to a financial asset of one entity and, simultaneously, to a financial liability or equity instrument of another entity.

An "equity instrument" is any agreement that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A "financial derivative" is a financial instrument whose value changes in response to the change in an observable market variable (such as an interest rate, foreign exchange rate, financial instrument price, market index or credit rating), whose initial investment is very small compared with other financial instruments with a similar response to changes in market factors, and which is generally settled at a future date.

"Hybrid financial instruments" are contracts that simultaneously include a non-derivative host contract together with a derivative, known as an embedded derivative, that is not separately transferable and has the effect that some of the cash flows of the hybrid contract vary in a way similar to a stand-alone derivative.

The following transactions are not treated for accounting purposes as financial instruments:

- Investments in subsidiaries, jointly controlled entities and associates (note 11).
- Rights and obligations under employee benefit plans (note 21).

ii. Classification of financial assets for measurement purposes

Financial assets are initially classified into the various categories used for management and measurement purposes, unless they have to be presented as "Non-current assets held for sale" or they relate to "Cash and balances with the Brazilian Central Bank", "Hedging derivatives" and "Investments", which are reported separately.

Financial assets are included for measurement purposes in one of the following categories:

- Financial assets held for trading (at fair value through profit or loss): this category includes the financial assets acquired for the purpose of generating a profit in the near term from fluctuations in their prices and financial derivatives that are not designated as hedging instruments.
- Other financial assets at fair value through profit or loss: this category includes hybrid financial assets not held for trading that are measured entirely at fair value and financial assets not held for trading that are included in this category in order to obtain more relevant information, either because this eliminates or significantly reduces recognition or measurement inconsistencies ("accounting mismatches") that would arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases, or because a group of financial assets or financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided on that basis to the Bank's key management personnel.

Financial instruments included in this category (and "Other financial liabilities at fair value through profit or loss") are permanently subject to an integrated and consistent system of measuring, managing and controlling risks and returns that enables all the financial instruments involved to be monitored and identified and allows the effective reduction of risk to be checked. Financial assets may only be included in this category on the date they are acquired or originated.

- Available-for-sale financial assets: this category includes debt instruments not classified as "Held-to-maturity investments", "Loans and receivables" or "Financial assets at fair value through profit or loss", and equity instruments issued by entities other than subsidiaries, associates and jointly controlled entities, provided that such instruments have not been classified as "Financial assets held for trading" or as "Other financial assets at fair value through profit or loss".

Available-for-sale financial assets are stated at fair value. This category includes debt instruments not classified as "Held-to-maturity investments", "Loans and receivables" or "Financial assets at fair value through profit or loss", and equity instruments issued by entities other than subsidiaries, associates and jointly controlled entities, provided that such instruments have not been classified as "Financial assets held for trading" or as "Other financial assets at fair value through profit or loss". Gains and losses arising from changes in fair value are recognised in "Equity" in the line item "Valuation Adjustment" with the exception of impairment losses, which are recognised in profit or loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in "Equity -Valuation Adjustments" is reclassified to profit or loss.

- Loans and receivables: this category includes financing granted to third parties, based on their nature, irrespective of the type of borrower and the form of financing, including finance lease transactions in which the consolidated entities act as lessors. The consolidated entities generally intend to hold the loans and credits granted by them until their final maturity and, therefore, they are presented in the consolidated balance sheet at their amortized cost (which includes the required adjustments to reflect estimated impairment losses).
- Held-to-maturity investments: this category includes debt instruments traded in an active market, with fixed maturity and with fixed or determinable payments, for which the Bank has both the intention and proven ability to hold to maturity. These investments are measured at amortised cost less any impairment, with revenue recognised on an effective yield basis.

iii. Classification of financial assets for presentation purposes

Financial assets are classified by nature into the following items in the consolidated balance sheet:

-Cash and balances with the Brazilian Central Bank: cash balances and balances receivable on demand relating to deposits with the Brazilian Central Bank.

-Loans and advances: includes the balance of loans granted by the Bank, other than those represented by securities, as well as finance lease receivables and other debit balances of a financial nature in favor of the Bank, such as checks drawn on credit institutions, balances receivable from clearing houses and settlement agencies for transactions on the stock exchange and organized markets, bonds given in cash, capital calls, fees and commissions receivable for financial guarantees and debit balances arising from transactions not originated in banking transactions and services, such as the collection of rentals and similar items.

- Loans and advances to credit institutions: credit of any nature in the name of credit institutions.
- Loans and advances to customers: includes the debit balances of all the remaining credit and loans granted by the Bank, other than those represented by securities, including money market operations through central counterparties.

-Debt instrument: bonds and other securities that represent a debt for their issuer, that generate an interest return, and that are in the form of certificates or book entries.

-Equity instruments: financial instruments issued by other entities, such as shares, which have the nature of equity instruments for the issuer, unless they are investments in subsidiaries, jointly controlled entities or associates. Investment fund units are included in this item.

-Trading derivatives: includes the fair value in favor of the Bank of derivatives which do not form part of hedge accounting.

-Hedging derivatives: includes the fair value in favor of the Bank of derivatives designated as hedging instruments in hedge accounting.

-Investments in associates: includes the investments in the share capital of associates.

iv. Classification of financial liabilities for measurement purposes

Financial liabilities are classified for measurement purposes into one of the following categories:

- Financial liabilities held for trading (at fair value through profit or loss): this category includes the financial liabilities issued for the purpose of generating a profit in the short term from fluctuations in their prices, financial derivatives not considered to qualify for hedge accounting and financial liabilities arising from the outright sale of financial assets purchased under resale agreements or borrowed ("short positions").
- Other financial liabilities at fair value through profit or loss: financial liabilities are included in this category when more relevant information is obtained, either because this eliminates or significantly reduces recognition or measurement inconsistencies ("accounting mismatches") that would arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases, or because a group of financial liabilities or financial assets and liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Bank is provided on that basis to the Bank's key management personnel.
- Financial liabilities at amortized cost: financial liabilities, irrespective of their instrumentation and maturity, not included in any of the above-mentioned categories which arise from the funding-taking activities carried on by financial institutions.

v. Classification of financial liabilities for presentation purposes

Financial liabilities are classified by nature into the following items in the consolidated balance sheet:

- Deposits from the Brazilian Central Bank: deposits of any nature received from the Brazilian Central Bank.
- Deposits from credit institutions: deposits of any nature, including credit and money market operations received in the name of credit institutions.
- Customer deposits: includes all repayable balances received in cash by the Bank, other than those represented by marketable securities, money market operations through central counterparties, subordinated liabilities and deposits from the Brazilian Central Bank and credit institutions.
- Marketable debt securities: includes the amount of bonds and other debt represented by marketable securities, other than subordinated liabilities.
- Trading derivatives: includes the fair value, with a negative balance for the Bank, of derivatives which do not form part of hedge accounting.
- Short positions: includes the amount of financial liabilities arising from the outright sale of financial assets purchased under reverse repurchase agreements or borrowed.
- Subordinated liabilities: amount of financing received which, for the purposes of payment priority, ranks behind ordinary debt. This category also includes the financial instruments issued by the Bank which, although equity for legal purposes, do not meet the requirements for classification as equity.
- Other financial liabilities: includes the amount of payment obligations having the nature of financial liabilities not included in other items, and liabilities under financial guarantee contracts, unless they have been classified as doubtful.
- Hedging derivatives: includes the fair value of the Bank's liability in respect of derivatives designated as hedging instruments in hedge accounting.

d) Measurement of financial assets and liabilities and recognition of fair value changes

In general, financial assets and liabilities are initially recognized at fair value which, in the absence of evidence to the contrary, is deemed to be the transaction price. Financial instruments not measured at fair value through profit or loss are, adjusted by the transaction costs. Financial assets and liabilities are subsequently measured at each period-end as follows:

i. Measurement of financial assets

Financial assets are measured at fair value, without deducting any transaction costs that may be incurred on their disposal, except for loans and receivables, held-to-maturity investments, equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those equity instruments as their underlying and are settled by delivery of those instruments.

The "fair value" of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, willing parties in an arm's length transaction acting prudently. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an active, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of valuation techniques commonly used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

All derivatives are recognized in the balance sheet at fair value from the trade date. If the fair value is positive, they are recognized as an asset and if the fair value is negative, they are recognized as a liability. The fair value on the trade date is deemed, in the absence of evidence to the contrary, to be the transaction price. The changes in the fair value of derivatives from the trade date are recognized in "Gains/losses on financial assets and liabilities" in the consolidated income statement. Specifically, the fair value of standard financial derivatives included in the portfolios of financial assets or liabilities held for trading is deemed to be their daily quoted price and if, for exceptional reasons, the quoted price cannot be determined on a given date, these financial derivatives are measured using methods similar to those used to measure over the counter "OTC" derivatives.

The fair value of OTC derivatives is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques commonly used by the financial markets: "net present value" (NPV), option pricing models and other methods.

"Loans and receivables" and "Held-to-maturity investments" are measured at amortized cost using the effective interest method. "Amortized cost" is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal repayments and the cumulative amortization (taken to the income statement) of the difference between the initial cost and the maturity amount. In the case of financial assets, amortized cost furthermore includes any reductions for impairment or uncollectibility. In the case of loans and receivables hedged in fair value hedges, the changes in the fair value of these assets related to the risk or risks being hedged are recognized.

The "effective interest rate" is the discount rate that exactly matches the initial amount of a financial instrument to all its estimated cash flows of all kinds over its remaining life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees and transaction costs that, because of their nature, form part of their financial return. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing in all connections until the next benchmark interest reset date.

Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying and are settled by delivery of those instruments are measured at acquisition cost adjusted, where appropriate, by any related impairment loss.

The amounts at which the financial assets are recognized represent, in all material respects, the Bank's maximum exposure to credit risk at each reporting date. Also, the Bank has received collateral and other credit enhancements to mitigate its exposure to credit risk, which consist mainly of mortgage guarantees, cash collateral, equity instruments and personal security, assets leased out under leasing and renting agreements, assets acquired under repurchase agreements, securities loans and derivatives.

ii. Measurement of financial liabilities

In general, financial liabilities are measured at amortized cost, as defined above, except for those included under "Financial liabilities held for trading" and "Other financial liabilities at fair value through profit or loss" and financial liabilities designated as hedged items (or hedging instruments) in fair value hedges, which are measured at fair value.

iii. Valuation techniques

The following table shows a summary of the fair values, at 2009 and 2008 year-end, of the financial assets and liabilities indicated below, classified on the basis of the various measurement methods used by the Bank to determine their fair value:

Thousands of Reais			2009			2008
	Published Price Quotations in Active Markets	Internal Models	Total	Published Price Quotations in Active Markets	Internal Models	Total
Financial assets held for trading	2,544,441	17,571,211	20,115,652	959,609	19,026,391	19,986,000
Other financial assets at fair value through profit or loss	13,787,109	2,507,351	16,294,460	-	5,574,961	5,574,961
Available-for-sale financial assets	1,633,945	44,772,175	46,406,120	1,145,483	29,590,198	30,735,681
Hedging derivatives (assets)	-	163,425	163,425	-	106,321	106,321
Financial liabilities held for trading	33,025	4,401,709	4,434,734	45,781	11,163,819	11,209,600
Other financial liabilities at fair value through profit or loss	-	1,795	1,795	-	307,376	307,376
Hedging derivatives (liabilities)	-	9,806	9,806	-	264,771	264,771

Financial instruments at fair value, determined on the basis of public price quotations in active markets (Level 1), include government debt securities, private-sector debt securities, securitized assets, shares, short positions and fixed-income securities issued.

In cases where price quotations cannot be observed, management makes its best estimate of the price that the market would set using its own internal models. In most cases, these models use data based on observable market parameters as significant inputs (Level 2). In order to make these estimates, various techniques are employed, including the extrapolation of observable market data and extrapolation techniques. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, unless the fair value of the instrument can be obtained from other market transactions performed with the same or similar instruments or can be measured by using a valuation technique in which the variables used include only observable market data, mainly interest rates.

There were no reclassifications between the level 1 and level 2 in the exercise ended on December 31, 2009 and 2008.

On December 31, 2009 and 2008 the Bank did not have any financial instrument classified as Level 3.

The main techniques used at December 31, 2009 by the Bank's internal models to determine the fair value of the financial instruments detailed in the foregoing table are as follows:

- In the valuation of financial instruments permitting static hedging (basically forwards and swaps) and in the valuation of loans and advances to customers, the "present value" method is used. Estimated future cash flows are discounted using the interest rate curves of the related currencies. The interest rate curves are generally observable market data.
- In the valuation of financial instruments requiring dynamic hedging (basically structured options and other structured instruments), the Black-Scholes model is normally used. Where appropriate, observable market inputs are used to obtain factors such as the bid-offer spread, exchange rates, volatility, correlation between indexes and market liquidity.
- In the valuation of certain financial instruments exposed to interest rate risk, such as interest rate futures, caps and floors, the present value method (futures) and the Black-Scholes model (plain vanilla options) are used. The main inputs used in these models are basically observable market data, including the related interest rate curves, volatilities, correlations and exchange rates.
- In the case of linear instruments (e.g. credit risk and fixed-income derivatives), credit risk is measured using dynamic models similar to those used in the measurement of interest rate risk. In the case of non-linear instruments, if the portfolio is exposed to credit risk (e.g. credit derivatives), the joint probability of default is determined using the Standard Gaussian Copula model. The main inputs used to determine the underlying cost of credit of credit derivatives are quoted credit risk premiums and the correlation between the quoted credit derivatives of various issuers.

The fair value of the financial instruments arising from the aforementioned internal models takes into account, inter alia, the contract terms and observable market data, which include interest rates, credit risk, exchange rates, the quoted market price of raw materials and shares, volatility and prepayments. The valuation models are not significantly subjective, since these methodologies can be adjusted and gauged, as appropriate, through the internal calculation of fair value and the subsequent comparison with the related actively traded price.

Set forth below are the financial instruments at fair value whose measurement was based on internal models (Level 2) at December 31, 2009:

In thousands of Reais

	Fair Values Calculated Using Internal Models	Valuation Techniques	Main Assumptions
ASSETS:			
Financial assets held for trading	**17,571,211**		
Loans and advances to credit institutions	67,170	Present Value Method	Observable market data (interest and discount rates)
Debt and equity instruments	12,554,035	Present Value Method	Observable market data (interest and discount rates)
Trading derivatives	4,950,006		
Swaps	3,998,734	Present Value Method	Observable market data, liquidity (interest and exchange rates)
Exchange rate options	288,080	Black-Scholes Model	Observable market data, liquidity (exchange rates)
Interest rate options	293,198	Black-Scholes Model	Observable market data, liquidity, correlation (interests rates)
Exchange rate futures	342,681	Black-Scholes Model	Observable market data, liquidity (exchange rates)
Stock options	27,313	Black-Scholes Model	Observable market data, liquidity, correlation (shares and ratios)
Hedging derivatives	**163,425**		
Swaps	163,425	Present Value Method	Observable market data (interest rates)
Other financial assets at fair value profit or loss	**2,507,351**		
Loans and advances to credit institutions	1,907,265	Present Value Method	Observable market data (interest and discount rates)
Loans and advances to customers	389,113	Present Value Method	Observable market data (interest and discount rates)
Debt and equity interests	210,973	Present Value Method	Observable market data (interest and discount rates)
Available-for-sale financial assets	**44,772,175**		
Debt and equity instruments	44,772,175	Present Value Method	Observable market data (interest and discount rates)
LIABILITIES:			
Financial liabilities held for trading	**4,401,709**		
Trading derivatives	**4,401,709**		
Swaps	3,076,202	Present Value Method	Observable market data, liquidity (interest and exchange rates)
Exchange rate options	450,836	Black-Scholes Model	Observable market data, liquidity (exchange rates)
Interest rate options	251,618	Black-Scholes Model	Observable market data, liquidity, correlation (interest rates)
Interest rate and investment futures	589,780	Present Value Method	Observable market data, liquidity (exchange rates)
Stock options	33,273	Black-Scholes Model	Observable market data, liquidity, correlation (shares and ratios)
Hedging derivatives	**9,806**		
Swaps	9,806	Present Value Method	Observable market data (interest and exchange rates)
Other financial liabilities at fair value through profit or loss	**1,795**	Present Value Method	Observable market data (interest and discount rates)

The use of observable market data assumes that the markets in which the Bank operates are functioning efficiently and, therefore, that these data are representative. The main assumptions used in the measurement of the financial instruments included in the foregoing table that were valued by means of internal models employing unobservable market data are as follows:

- Correlation: the assumptions relating to the correlation between the value of quoted and unquoted assets are based on historical correlations between the impact of adverse changes in market variables and the corresponding valuation of the associated unquoted assets. The measurement of the assets will vary depending on whether a more or less conservative scenario is selected.
- Dividends: the estimates of the dividends used as inputs in the internal models are based on the expected dividend payments of the issuers. Since the dividend expectations can change or vary depending on the source of the price (normally historical data or market consensus for the measurement of options) and the companies' dividend policies can vary, the valuation is adjusted to the best estimate of the reasonable dividend level expected in more or less conservative scenarios.
- Liquidity: the assumptions include estimates in response to market liquidity. For example, they take market liquidity into consideration when very long-term estimates of exchange rates or interest rates are used, or when the instrument is part of a new or developing market where, due to the absence of market prices that reflect a reasonable price for these products, the standard valuation methods and the estimates available might give rise to less precise results in the measurement of these instruments at that time.

iv. Recognition of fair value changes

As a general rule, changes in the carrying amount of financial assets and liabilities are recognized in the consolidated income statement, distinguishing between those arising from the accrual of interest and similar items -which are recognized under "Interest and similar income" or "Interest expense and similar charges", as appropriate-and those arising for other reasons, which are recognized at their net amount under "Gains/losses on financial assets and liabilities".

Adjustments due to changes in fair value arising from Available-for-sale financial assets are recognized temporarily in equity under "Valuation adjustments -Available-for-sale financial assets". Items charged or credited to this account remain in the Bank's consolidated equity until the related assets are derecognized, whereupon they are charged to the consolidated income statement.

v. Hedging transactions

The consolidated entities use financial derivatives for the following purposes: i) to facilitate these instruments to customers who request them in the management of their market and credit risks; ii) to use these derivatives in the management of the risks of the Bank entities' own positions and assets and liabilities ("hedging derivatives"); and iii) to obtain gains from changes in the prices of these derivatives ("trading derivatives").

Financial derivatives that do not qualify for hedge accounting are treated for accounting purposes as trading derivatives.

A derivative qualifies for hedge accounting if all the following conditions are met:

1. The derivative hedges one of the following three types of exposure:

a. Changes in the fair value of assets and liabilities due to fluctuations, among others, in the interest rate and/or exchange rate to which the position or balance to be hedged is subject ("fair value hedge");

b. Changes in the estimated cash flows arising from financial assets and liabilities, commitments and highly probable forecast transactions ("cash flow hedge");

c. The net investment in a foreign operation ("hedge of a net investment in a foreign operation").

2. It is effective in offsetting exposure inherent in the hedged item or position throughout the expected term of the hedge, which means that:

a. At the date of arrangement the hedge is expected, under normal conditions, to be highly effective ("prospective effectiveness").

b. There is sufficient evidence that the hedge was actually effective during the whole life of the hedged item or position ("retrospective effectiveness").

3. There must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this effective hedge was expected to be achieved and measured, provided that this is consistent with the Bank's management of own risks.

The changes in value of financial instruments qualifying for hedge accounting are recognized as follows:

a. In fair value hedges, the gains or losses arising on both the hedging instruments and the hedged items (attributable to the type of risk being hedged) are recognized directly in the consolidated income statement.

b. In cash flow hedges, the effective portion of the change in value of the hedging instrument is recognized temporarily in equity under "Valuation adjustments -Cash flow hedges" until the forecast transactions occur, when it is recognized in the consolidated income statement, unless, if the forecast transactions result in the recognition of nonfinancial assets or liabilities, it is included in the cost of the non-financial asset or liability. The ineffective portion of the change in value of hedging derivatives is recognized directly in the consolidated income statement.

c. The ineffective portion of the gains and losses on the hedging instruments of cash flow hedges and hedges of a net investment in a foreign operation are recognized directly under "Gains/losses on financial assets and liabilities" in the consolidated income statement.

If a derivative designated as a hedge no longer meets the requirements described above due to expiration, ineffectiveness or for any other reason, the derivative is classified as a trading derivative.

When fair value hedge accounting is discontinued, the adjustments previously recognized on the hedged item are transferred to profit or loss at the effective interest rate recalculated at the date of hedge discontinuation. The adjustments must be fully amortized at maturity.

When cash flow hedges are discontinued, any cumulative gain or loss on the hedging instrument recognized in equity under "Valuation adjustments" (from the period when the hedge was effective) remains recognized in equity until the forecast transaction occurs at which time it is recognized in profit or loss, unless the transaction is no longer expected to occur, in which case any cumulative gain or loss is recognized immediately in profit or loss.

e) Derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

1. If the Bank transfers substantially all the risks and rewards to third parties -unconditional sale of financial assets, sale of financial assets under an agreement to repurchase them at their fair value at the date of repurchase, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitization of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to the new holders, and other similar cases-, the transferred financial asset is derecognized and any rights or obligations retained or created in the transfer are recognized simultaneously.

2. If the Bank retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, and other similar cases-, the transferred financial asset is not derecognized and continues to be measured by the same criteria as those used before the transfer. However, the following items are recognized:

a. An associated financial liability, for an amount equal to the consideration received; this liability is subsequently measured at amortized cost.

b. The income from the transferred financial asset not derecognized and any expense incurred on the new financial liability.

3. If the Bank neither transfers nor retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases-, the following distinction is made:

a. If the transferor does not retain control of the transferred financial asset, the asset is derecognized and any rights or obligations retained or created in the transfer are recognized.

b. If the transferor retains control, it continues to recognize the transferred financial asset for an amount equal to its exposure to changes in value and recognizes a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognized when the rights on the cash flows they generate have been extinguished or when substantially all the inherent risks and rewards have been transferred to third parties. Similarly, financial liabilities are only derecognized when the obligations they generate have been extinguished or when they are acquired, with the intention either to cancel them or to resell them.

f) Regular way purchases of financial assets

Regular way purchases of financial assets are recognized on trade date. The assets are derecognized when the rights to receive cash flows have expired or the Bank has transferred substantially all the risks and rewards of ownership.

g) Impairment of financial assets

i. Definition

A financial asset is considered to be impaired and therefore its carrying amount is adjusted to reflect the effect of impairment, when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans and debt securities), give rise to an adverse impact on the future cash flows that were estimated at the transaction date.
- In the case of equity instruments, mean that their carrying amount cannot be fully recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated income statement for the period in which the impairment becomes evident, and the reversal, if any, of previously recognized impairment losses is recognized in the consolidated income statement for the period in which the impairment is reversed or reduced.

Balances are deemed to be impaired, and the interest accrual is suspended, when there are reasonable doubts as to their full recovery and/or the collection of the related interest for the amounts and on the dates initially agreed upon, after taking into account the guarantees received by the consolidated entities to secure (fully or partially) collection of the related balances. Collections relating to impaired loans and advances are used to recognize the accrued interest and the remainder, if any, to reduce the principal amount outstanding. The amount of the financial assets that would be deemed to be impaired had the conditions thereof not been renegotiated is not material with respect to the Bank’s financial statements taken as a whole.

When the recovery of any recognized amount is considered unlikely, the amount is written off, without prejudice to any actions that the consolidated entities may initiate to seek collection until their contractual rights are extinguished.

ii. Debt instruments carried at amortized cost

The amount of an impairment loss incurred on a debt instrument measured at amortized cost is equal to the difference between its carrying amount and the present value of its estimated future cash flows, and is presented as a reduction of the balance of the asset adjusted.

In estimating the future cash flows of debt instuments the following factors are taken into account:

- All the amounts that are expected to be obtained over the remaining life of the instrument; including, where appropriate, those which may result from the collateral provided for the instrument (less the costs for obtaining and subsequently selling the collateral). The impairment loss takes into account the likelihood of collecting accrued interest receivable.
- The various types of risk to which each instrument is subject, and
- The circumstances in which collections will foreseeably be made.

These cash flows are subsequently discounted using the instrument's effective interest rate (if its contractual rate is fixed) or the effective contractual rate at the discount date (if it is variable). Specifically in regards to impairment losses resulting from materialization of the insolvency risk of the obligors (credit risk), a debt instrument is impaired due to insolvency when

there is evidence of a deterioration of the obligor's ability to pay, either because it is in arrears or for other reasons. The Bank has certain policies, methods and procedures for covering its credit risk arising both from insolvency allocable to counterparties.

These policies, methods and procedures are applied in the granting, examination and documentation of debt instruments, and contingent liabilities and commitments, the identification of their impairment and the calculation of the amounts necessary to cover the related credit risk. With respect to the allowance for loss arising from credit risk, the Bank makes the following distinction:

a. Specific allowance:

The Bank uses a proxy for specific allowance, as further explained below. These rules are used to calculate the minimum allowance requirements. The Bank evaluate the need for further provision, as considered necessary, following the requirements of IAS 39, based on our historical experience of impairment and other circumstances known at the time of assessment.

The Bank classifies our credit transactions according to their level of risk and the number of days such transaction is past due. Such credit classifications are determined in accordance with:

- The conditions of the debtor and any guarantor, such as their economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, administration, corporate governance and quality of internal controls, payments history, the sector in which they are active, contingencies and credit limits; and
- The characteristics of the transaction, such as its nature and purpose, type, sufficiency and level of liquidity of collateral and the total amount of the credit.

The rating and risk management systems used by the Bank may be reviewed by both the Central Bank and the Santander Group's internal auditors. The Bank's management has not had any disputes with the Central Bank or the Santander Group regarding our risk management operations.

b. Allowance for incurred losses not specifically identified

The Bank covers its losses inherent in debt instruments not measured at fair value through profit or loss and in contingent liabilities taking into account the historical experience of impairment and other circumstances known at the time of assessment. For these purposes, inherent losses are losses incurred at the reporting date, calculated using statistical methods that have not yet been allocated to specific transactions.

The Bank uses the concept of incurred loss to quantify the cost of the credit risk and include it in the calculation of the risk-adjusted return of its transactions.
The incurred loss is the expected cost of the credit risk of a transaction, that will manifest itself within a one year (business cycle) lead time from the balance sheet date considering the characteristics of the counterparty and the guarantees and collateral associated with the transaction.

The loss is calculated by using statistical models that consider the following three factors: "exposure at default", "probability of default" and "loss given default".

- Exposure at default (EAD) is the amount of risk Exposure at the date of default by the counterparty.

In accordance with IFRS, the exposure at default used for this calculation is the current exposure, as reported in the balance sheet.

- Probability of default (PD) is the probability of the counterparty failing to meet its principal and/or interest payment obligations. The probability of default is associated with the rating/scoring of each counterparty/transaction.

PD is measured using a time horizon of one year; i.e. it quantifies the probability of the counterparty defaulting in the coming year. The definition of default used includes past-dues by 90 days or more and cases in which there is no default but there are doubts as to the solvency of the counterparty (subjective doubtful assets).

- Loss given default (LGD) is the loss arising in the event of default.

LGD calculation is based on the observation of the recoveries of defaulted loans, taking into account the guarantees/collateral associated with the transaction, the income and expenses associated with the recovery process, and also the timing thereof and the indirect costs arising from the recovery process.

This parameter does not consider downturn adjustments.

The methodology used by the Bank for determining the loans allowance for incurred losses not specifically identified intends to identify the amount of incurred losses as of the balance sheet date of loans that have not yet been identified as impaired, but it is estimate based on our past history and specific facts that will manifest within a one year lead time period from the balance sheet date. The above demonstrates those loans were having problems as of the balance sheet date. That is, what the Bank calls inherent losses in the context of our internal models in which loan loss allowances are calculated.

The approach described above is used as a general rule. However, in certain cases, as a result of its particular characteristics, this approach is not applied and alternative approaches are used:

1. Low default portfolios

In certain portfolios (credit institutions or large corporations) the number of defaults observed is very small or zero. In these cases, the Bank opted to use the data contained in the credit derivative spreads to estimate the incurred loss discounted by the market and break it down into PD and LGD.

2. Top-down units

In the exceptional cases in which the Bank does not have sufficient data to construct a sufficiently robust credit risk measurement model, the incurred loss on the loan portfolios is estimated based on a top-down approximation in which the historically observed average cost of the loan portfolios is used as the best estimate of the incurred loss. As the credit models are developed and bottom-up measurements are obtained, the top-down measurements used for these units are gradually replaced.

iii. Debt or equity instruments classified as available for sale

The amount of the impairment losses on these instruments is the positive difference between their acquisition cost (net of any principal repayment or amortization in the case of debt instruments) and their fair value, less any impairment loss previously recognized in the consolidated income statement.

When there is objective evidence at the date of measurement of these instruments that the aforementioned differences are due to permanent impairment, they are no longer recognized in equity under "Valuation adjustments -Available-for-sale financial assets" and are reclassified, for the cumulative amount at that date, to the consolidated income statement.

If all or part of the impairment losses are subsequently reversed, the reversed amount is recognized, in the case of debt instruments, in the consolidated income statement for the year in which the reversal occurred (or in equity "Valuation adjustments -Available-for-sale financial assets" in the case of equity instruments).

iv. Equity instruments measured at cost

The impairment loss on equity instruments measured at cost is the difference between the carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities.

Impairment losses are recognized in the consolidated financial income statement for the period in which they arise as a direct reduction of the cost of the instrument. These losses can only be reversed subsequently if related assets are sold.

h) Repurchase agreements

Purchases (sales) of financial assets under a non-optional resale (repurchase) agreement at a fixed price ("repos") are recognized in the consolidated balance sheet as financing granted (received), based on the nature of the debtor (creditor), under "Balances with the Brazilian Central Bank", "Loans and advances to credit institutions" or "Loans and advances to customers" ("Deposits from the Brazilian Central Bank", "Deposits from credit institutions" or "Customer deposits").

Differences between the purchase and sale prices are recognized as interest over the contract term.

i) Non-current assets held for sale

"Non-current assets held for sale" includes the carrying amount of individual items or disposal groups or items forming part of a business unit earmarked for disposal ("Discontinued operations"), whose sale in their present condition is highly probable and is expected to occur within one year from the reporting date. Therefore, the carrying amount of these items, which can be of a financial nature or otherwise, will foreseeably be recovered through the proceeds from their disposal. Specifically, property or other noncurrent assets received by the consolidated entities as total or partial settlement of their debtors' payment obligations to them are deemed to be non-current assets held for sale through the completion of actions which normally occurs up to one year.

Non-current assets held for sale are generally measured at the lower of fair value less costs to sell and their carrying amount at the date of classification in this category. Non-current assets held for sale are not depreciated as long as they remain in this category.

Impairment losses on an asset or disposal group arising from a reduction in its carrying amount to its fair value (less costs to sell) are recognized under "Gains/ (losses) on noncurrent assets held for sale not classified as discontinued operations" in the consolidated income statement. The gains on a non-current asset held for sale resulting from subsequent increases in fair value (less costs to sell) increase its carrying amount and are recognized in the consolidated income statement up to an amount equal to the impairment losses previously recognized.

j) Residual maturity periods and average interest rates

The analysis of the maturities of the balances of certain items in the consolidated balance sheets and the average interest rates at 2009 and 2008 year-end is provided in note 41-d.

k) Tangible assets

"Tangible assets" includes the amount of buildings, land, furniture, vehicles, computer hardware and other fixtures owned by the consolidated entities, including tangible assets received by the Bank in full or partial satisfaction of financial assets representing receivables from third parties which are intended to be held for continuing use and tangible assets acquired under finance leases are presented at acquisition cost, less the related accumulated depreciation and any impairment losses (net carrying amount higher than recoverable amount).

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The tangible asset depreciation charge is recognized in the consolidated income statement and is calculated basically using the following depreciation rates (based on the average years of estimated useful life of the various assets):

	Annual Rate
Buildings for own use	4%
Furniture	10%
Fixtures	10%
Office and IT equipment	20%
Leasehold improvements	10% or up to contractual maturity

The consolidated entities assess at the reporting date whether there is an indication that an asset may be impaired (i.e. its carrying amount exceeds its recoverable amount). If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life (if the useful life has to be re-estimated).

Similarly, if there is an indication of a recovery in the value of a tangible asset, the consolidated entities recognize the reversal of the impairment loss recognized in prior periods and adjust the future depreciation charges accordingly. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognized in prior years.

The estimated useful lives of the items of property, plant and equipment for own use are reviewed at least at the end of the reporting period with a view to detecting significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recognized in the consolidated income statement in future years on the basis of the new useful lives.

Upkeep and maintenance expenses relating to property, plant and equipment for own use are recognized as an expense in the period in which they are incurred.

l) Accounting for leases

i. Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee.

When the consolidated entities act as the lessors of an asset, the sum of the present value of the lease payments receivable from the lessee plus the guaranteed residual value which is generally the exercise price of the purchase option of the lessee at the end of the lease term is recognized as lending to third parties and is therefore included under "Loans and receivables" in the consolidated balance sheet.

The finance income arising from these contracts is credited to "Interest and similar income" in the consolidated income statement so as to achieve a constant rate of return over the lease term.

ii. Operating leases

In operating leases, ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.

When the consolidated entities act as the lessors, they present the acquisition cost of the leased assets under "Tangible assets" (note 12). The depreciation policy for these assets is consistent with that for similar items of property, plant and equipment for own use and income from operating leases is recognized on a straight-line basis under "Other operating income" in the consolidated income statement.

When the consolidated entities act as the lessees, the lease expenses, including any incentives granted by the lessor, are charged on a straight-line basis to "Other general administrative expenses" in their consolidated income statements.

m) Intangible assets

Intangible assets are identifiable non-monetary assets (separable from other assets) without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated entities. Only assets whose cost can be estimated reliably and from which the consolidated entities consider it probable that future economic benefits will be generated are recognized.

Intangible assets are recognized initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

i. Goodwill

An investment in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment any difference between the cost of the investment and the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for in accordance with IFRS 3, Business Combinations. Therefore:

(a) goodwill relating to an associate is included in the carrying amount of the investment. However, amortisation of that goodwill is not permitted and is therefore not included in the determination of the investor's share of the associate's profits or losses.

(b) any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.

Goodwill -which is only recognized when it has been acquired for consideration -represents, therefore, a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired entity that are not capable of being individually identified and separately recognized.

At the end of each reporting period or when there is any indication of impairment, goodwill is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and any impairment is written down with a charge to "Impairment losses on other assets (net) – Goodwill and other intangible assets" in the consolidated income statement.

An impairment loss recognized for goodwill is not reversed in a subsequent period.

ii. Other intangible assets

"Other intangible assets" includes the amount of identifiable intangible assets (such as purchased customer lists and computer software).

Other intangible assets can have an indefinite useful life, when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the consolidated entities, or a finite useful life, in all other cases. Intangible assets with indefinite useful lives are not amortized, but rather at the end of each reporting period the consolidated entities review the remaining useful lives of the assets in order to determine whether they continue to be indefinite and, if this is not the case, to take the appropriate steps.

Intangible assets with finite useful lives are amortized over those useful lives using methods similar to those used to depreciate tangible assets.

The intangible asset amortization charge is recognized under "Depreciation and amortization" in the consolidated income statement.

In both cases the consolidated entities recognize any impairment loss on the carrying amount of these assets with a charge to "Impairment losses on goodwill and other intangible assets" in the consolidated income statement. The criteria used to recognize the impairment losses on these assets and, where applicable, the reversal of impairment losses recognized in prior years are similar to those used for tangible assets (see note 2-k).

Internally developed computer software is recognized as an intangible asset if, among other requisites (basically the Bank's ability to use or sell it), can be identified and its ability to generate future economic benefits can be demonstrated.

Expenditure on research activities is recognized as an expense in the year.

n) Other assets

It includes the balance of all prepayments and accrued income (excluding accrued interest), the net amount of the difference between pension plan obligations and the value of the plan assets with a balance in the entity's favor, when this net amount is to be reported in the consolidated balance sheet, and the amount of any other assets not included in other items.

o) Other liabilities

"Other liabilities" includes the balance of all accrued expenses and deferred income, excluding accrued interest, and the amount of any other liabilities not included in other categories.

p) Provisions and contingent assets and liabilities

The directors of the consolidated entities, in preparing their respective financial statements, made a distinction between:

- Provisions: credit balances covering present obligations (legal or constructive) at the balance sheet date arising from past events which could give rise to a loss for the consolidated entities, which is considered to be probable to occur and a reliable estimate can be made of the amount of the obligation.

- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated entities. They include the present obligations of the consolidated entities when it is not probable that an outflow of resources embodying economic benefits will be required to settle them.

- Contingent assets: possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by, the occurrence or non-occurrence of events beyond the control of the Bank. Contingent assets are not recognized in the consolidated balance sheet or in the consolidated income statement, but rather are disclosed in the notes, provided that it is probable that these assets will give rise to an increase in resources embodying economic benefits.

The Bank's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. In accordance with accounting standards, contingent liabilities must not be recognized in the consolidated financial statements, but must rather be disclosed in the notes.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognized. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

Provisions are classified according to the obligations covered as follows:

- Provisions for pensions and similar obligations: includes the amount of all the provisions made to cover post-employment benefits, including obligations to early retirees and similar obligations.

- Provisions for contingent liabilities, commitments and provisions for taxes and other legal contingencies and other provisions: include the amount of the provisions recognized to cover tax and legal contingencies and labor and civil litigation and the other provisions recognized by the consolidated entities.

q) Equity-instrument-based employee remuneration

Equity instruments delivered to employees in consideration for their services, if the instruments are delivered once the specific period of service has ended, are recognized as an expense for services (with the corresponding increase in equity) as the services are rendered by employees during the service period. At the grant date the services received (and the related increase in equity) are measured at the fair value of the equity instruments granted. If the equity instruments granted are vested immediately, the Bank recognizes in full, at the grant date, the expense for the services received.

When the requirements stipulated in the remuneration agreement include external market conditions (such as equity instruments reaching a certain quoted price), the amount ultimately to be recognized in equity will depend on the other conditions being met by the employees (normally length of service requirements), irrespective of whether the market conditions are satisfied. If the conditions of the agreement are met but the external market conditions are not satisfied, the amounts previously recognized in equity are not reversed, even if the employees do not exercise their right to receive the equity instruments.

r) Recognition of income and expenses

The most significant criteria used by the Bank to recognize its income and expenses are summarized as follows:

i. Interest income, interest expenses and similar items

Interest income, interest expenses and similar items are generally recognized on an accrual basis using the effective interest method. Dividends received from other companies are recognized as income when the consolidated entities' right to receive them arises.

However, the recognition of accrued interest in the consolidated income statement is suspended for debt instruments individually classified as impaired and for the instruments for which impairment losses have been assessed collectively because they have payments more than two months past due. This interest is recognized as income, when collected, as a reversal of the related impairment losses.

ii. Commissions, fees and similar items

Fee and commission income and expenses are recognized in the consolidated income statement using criteria that vary according to their nature. The main criteria are as follows:

- Fee and commission income and expenses relating to financial assets and financial liabilities measured at fair value through profit or loss are recognized when paid;
- Those arising from transactions or services that are performed over a period of time are recognized over the life of these transactions or services; and
- Those relating to services provided in a single act are recognized when the single act has been performed.

iii. Non-finance income and expenses

These are recognized for accounting purposes on an accrual basis.

iv. Deferred collections and payments

These are recognized for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

v. Loan arrangement fees

Loan arrangement fees, mainly loan origination and application fees, are accrued and recognized in income over the term of the loan. In the case of loan origination fees, the portion relating to the associated direct costs incurred in the loan arrangement is recognized immediately in the consolidated income statement.

s) Financial guarantees

"Financial guarantees" are defined as contracts whereby an entity undertakes to make specific payments for a third party if the latter does not do so, irrespective of the various legal forms they may have, such as guarantees, irrevocable documentary credits issued or confirmed by the entity, etc.

The Bank initially recognizes the financial guarantees provided on the liability side of the consolidated balance sheet at fair value, which is generally the present value of the fees, commissions and similar interest receivable from these contracts over the term thereof, and simultaneously the Bank recognizes, on the asset side of the consolidated balance sheet, the amount of the fees, commissions and interest received at the start of the transactions and the amounts receivable at the present value of the fees, commissions and interest receivable.

Financial guarantees, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments measured at amortized cost.

The provisions made for these transactions are recognized under "Provisions -Provisions for contingent liabilities and commitments" in the consolidated balance sheet (note 21).

If a specific provision is required for financial guarantees, the related unearned commissions recognized under "Financial liabilities at amortized cost – Other financial liabilities" in the consolidated balance sheet are reclassified to the appropriate provision.

t) Assets under management and investment and pension funds managed by the Bank

Assets owned by third parties and managed by the consolidated entities are not presented on the face of the consolidated balance sheet. Management fees are included in "Fee and commission income" in the consolidated income statement. Note 41-b contains information on the third-party assets managed by the Bank.

The investment funds and pension funds managed by the consolidated entities are not presented on the face of the Bank's consolidated balance sheet since the related assets are owned by third parties. The fees and commissions earned in the year for the services rendered by the Bank entities to these funds (asset management and custody services) are recognized under "Fee and commission income" in the consolidated income statement.

u) Post-employment benefits

The bank has undertaken to supplement the public social security system benefits accruing to certain employees, and to their beneficiary right holders, for retirement, permanent disability or death, the benefits and indemnity payments payable, the contributions to employee welfare systems for early retirees and the post-employment welfare benefits.

The Bank's post-employment obligations to its employees are deemed to be "defined contribution plans" when the Bank makes pre-determined contributions (recognized in "Personnel expenses" in the consolidated income statement) to a separate entity and will have no legal or effective obligation to make further contributions if the separate entity cannot pay the employee benefits relating to the service rendered in the current and prior periods. Post-employment obligations that do not meet the aforementioned conditions are classified as "defined benefit plans" (note 21).

Defined contribution plans

The contributions made in this connection in each year are recognized under "Personnel expenses" in the consolidated income statement. The amounts not yet contributed at each year-end are recognized, at their present value, under "Provisions -Provisions for pensions and similar obligations" on the liability side of the consolidated balance sheet.

Defined benefit plans

The Bank recognizes under "Provisions -Provisions for pensions p and similar obligations" g on the liability side of the consolidated balance sheet (or (under "Other assets" on the asset side, as appropriate) the present value of its defined benefit post-employment obligations, net of the fair value of the plan assets and of the net unrecognized cumulative actuarial gains and/or losses disclosed in the valuation of these obligations, which are deferred using a corridor approach, and net of the past service cost, which is deferred over time, as explained below.

"Plan assets" are defined as those that will be directly used to settle obligations and that meet the following conditions:

- They are not owned by the consolidated entities, but by a legally separate third party that is not a party related to the Bank.
- They can only be used to pay or finance post-employment benefits and cannot be returned to the consolidated entities unless the assets remaining in the plan are sufficient to meet all obligations of the plan and of the entity relating to current or former employee benefits, or to reimburse employee benefits already paid by the Bank.

"Actuarial gains and losses" are defined as those arising from differences between the previous actuarial assumptions and what has actually occurred and from the effects of changes in actuarial assumptions. The Bank uses, on a plan-by-plan basis, the corridor method and recognizes in the consolidated income statement the amount resulting from dividing by five the net amount of the cumulative actuarial gains and/or losses not recognized at the beginning of each year which exceeds 10% of the present value of the obligations or 10% of the fair value of the plan assets at the beginning of the year, whichever amount is higher.

The "past service cost", which arises from changes to current post-employment benefits or from the introduction of new benefits, is recognized on a straight-line basis in the consolidated income statement over the period from the time the new commitments arise to the date on which the employee has an irrevocable right to receive the new benefits.

Post-employment benefits are recognized in the consolidated income statement as follows:

- Current service cost, defined as the increase in the present value of the obligations resulting from employee service in the current period, under "Personnel expenses".
- Interest cost, defined as the increase during the year in the present value of the obligations as a result of the passage of time, under "Interest expense and similar charges". When obligations are presented on the liability side of the consolidated balance sheet, net of the plan assets, the cost of the liabilities recognized in the income statement relates exclusively to the obligations recognized as liabilities.
- The expected return on plan assets and the gains or losses on the value of the plan assets under "Interest and similar income".
- The actuarial gains and losses calculated using the corridor approach and the unrecognized past service cost, under "Provisions (net)" in the consolidated income statement.

v) Other long-term employee benefits

"Other long-term employee benefits", defined as obligations to early retirees taken to be those who have ceased to render services at the entity but who, without being legally retired, continue to have economic rights vis-ˆ-vis the entity until they acquire the legal status of retiree, long-service bonuses, obligations for death of spouse or disability before retirement that depend on the employee's length of service at the entity and other similar items, are treated for accounting purposes, where applicable, as established above for defined benefit post-employment plans, except that all past service costs and actuarial gains and losses are recognized immediately (note 21).

w) Termination benefits

Termination benefits are recognized when there is a detailed formal plan identifying the basic changes to be made, provided that implementation of the plan has begun, its main features have been publicly announced or objective facts concerning its implementation have been disclosed.

x) Income 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.

In accordance with the current regulation, the expected realization of the Bank's tax credits, as shown in note 23, is based on the projection of future income and a technical study.

The expense for corporation income tax is recognized in the consolidated income statement, except when it results from a transaction recognized directly in equity, in which case the tax effect is also recognized in equity.

The current income tax expense is calculated as the sum of the current tax resulting from application of the appropriate tax rate to the taxable profit for the year (net of any deductions allowable for tax purposes), and of the changes in deferred tax assets and liabilities recognized in the consolidated income statement.

Deferred tax assets and liabilities include temporary differences, which are identified as the amounts expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their related tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled.

"Tax assets" includes the amount of all tax assets, which are broken down into "current" amounts of tax to be recovered within the next twelve months and "deferred" amounts of tax to be recovered in future years, including those arising from unused tax losses or tax credits.

"Tax liabilities" includes the amount of all tax liabilities (except provisions for taxes), which are broken down into "current" the amount payable in respect of the income tax on the taxable profit for the year and other taxes in the next twelve months and "deferred" the amount of income tax payable in future years.

Deferred tax liabilities are recognized in respect of taxable temporary differences associated with investments in subsidiaries, associates or joint ventures, except when the Bank is able to control the timing of the reversal of the temporary difference and, in addition, it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are only recognized for temporary differences to the extent that it is considered probable that the consolidated entities will have sufficient future taxable profits against which the deferred tax assets can be utilized, and the deferred tax assets do not arise from the initial recognition (except in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit or accounting profit. Other deferred tax assets (tax loss and tax credit carryforwards) are only recognized if it is considered probable that the consolidated entities will have sufficient future taxable profits against which they can be utilized.

Income and expenses recognized directly in equity are accounted for as temporary differences.

The deferred tax assets and liabilities recognized are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

PIS and COFINS taxes have been computed at a combined rate of 4.65% on certain gross revenues and expenses. Financial institutions may deduct financial expenses in determining the PIS/COFINS tax basis. PIS and COFINS are considered a profit-base component (net basis of certain revenues and expenses), therefore and accordingly to IAS 12 it is recorded as income taxes.

y) Consolidated cash flow statements

The following terms are used in the consolidated cash flow statements with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

In preparing the consolidated cash flow statement, short-term highly liquid investments that are subject to an insignificant risk of changes in value were classified as "Cash and cash equivalents". Accordingly, the Bank classifies as cash and cash equivalents the balances recognized under "Cash and balances with the Brazilian Central Bank" in the consolidated balance sheet.

z) Liabilities for insurance contracts

The liabilities for insurance contracts are comprised substantially by mathematical reserves for current and future benefits (PMBaC and PMBC). Insurance contracts are contracts under which the Bank accepts a significant risk – other than a financial risk – from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain future event by which the policyholder will be adversely affected.

Insurance liabilities are recognized when the contract is entered into and the premiums are charged. Contracts that have been classified as insurance are not reclassified subsequently. The liability is derecognized when the contract expires or is cancelled.

Mathematical reserves for current and future benefits are recognized based on contributions made under the capitalization financial system. The mathematical reserves for current benefits represent commitments under continued income plans which are recognized through actuarial calculation for the traditional, pension plan (PGBL) and cash value life insurance (VGBL) plans.

All valuation methods used by the subsidiaries are based on the general principle that the carrying amount of the net liability must be sufficient to meet any reasonably foreseeable obligation resulting from the insurance contracts. Investment assumptions are either determined by the local regulator or based on management's future expectations. In the latter case, the anticipated future investment returns are set by management, considering the available market information and economic indicators. A significant assumption related to estimated gross profits on variable annuities, is the annual long-term growth rate of the underlying assets.

At each balance sheet date an assessment is made of whether the provisions for Mathematical reserves are adequate.

3. Change in the scope of consolidation

a) Contribution of Banco Real

On July 24, 2008, Banco Santander Spain took indirect share control of the companies of the ABN AMRO Real Conglomerate 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 Bacen.

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; (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 to rationalize and simplify the equity structure of the companies of the Santander in Brazil 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 legal personality 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 of Real to the Bank was approved by the Brazilian Central Bank (Bacen) in January, 2009.

The following purchase price allocation, accounted for in accordance with IFRS 3, "Business Combinations," reflects the purchase accounting adjustments determined on the date that Santander Spain acquired control of Banco Real since on that date Banco Real came under common control with the Bank. This allocation is explained:

Thousands of Reais	Book value	Fair value (1)	Adjustment
Net assets acquired			
Assets	**132,301,795**	**130,930,255**	**(1,371,540)**
Of which:			
Cash and balances with central banks	12,147,982	12,147,982	-
Debt instruments	21,758,968	21,728,385	(30,583)
Loans and advances to customers	69,669,710	68,039,392	(1,630,318)
Tangible assets	1,072,896	1,344,375	271,479
Liabilities	**(119,436,124)**	**(120,826,655)**	**(1,390,531)**
Of which:			
Deposits from credit institutions	(20,946,768)	(20,932,165)	14,603
Customer deposits	(75,372,552)	(75,419,151)	(46,599)
Subordinated liabilities	(3,440,670)	(3,491,143)	(50,473)
Other financial liabilities	(5,974,858)	(5,852,833)	122,025
Provisions (4)	(3,536,049)	(4,968,623)	(1,432,574)
Net assets acquired	**12,865,671**	**10,103,600**	**(2,762,071)**
Intangible assets (2)		1,229,716	
Fair value of the assets		**11,333,316**	
Total consideration (3)		**38,946,426**	
Satisfied by:			
Shares		38,920,753	
Cash		25,673	
Goodwill		**27,613,110**	

The incorporation of Banco Real and AAB Dois Par into the Bank resulted in an increase in the Bank's market share and distribution capacity and diversified the Bank's portfolio, resulting in a stronger capital and liquidity position.

If the acquisition had been completed on January 1, 2008, the Bank«s net interest income for the year ended December 31, 2008 would have been R$ 19,292 million (unaudited) and profit would have been R$ 3,219 million (unaudited).

b) Merger of Shares of Santander Seguros S.A. (Santander Seguros), Banco Commercial e de Investimento Sudameris S.A. (BCIS) and Santander Brasil Asset Management Distribuidora de T'tulos e Valores Mobili‡rios S.A. (Santander Brasil Asset)

The Extraordinary Stockholders' Meeting held on August 14, 2009, of Banco Santander, Santander Seguros, BCIS and Santander Brasil Asset approved the corporate restructuring as set out in the Agreement for the "Merger of Santander Seguros S.A., Banco Commercial e de Investimento Sudameris S.A. and Santander Brasil Asset Management Distribuidora de T'tulos e Valores Mobili‡rios S.A. into the equity of Banco Santander (Brasil) S.A." (the merger agreement).

[1] The fair values of the assets and liabilities acquired were determined based on appraisals on October 2008, 29 (date of acquisition) and adjusted on June 30, 2009 as permitted by IFRS. This assets and liabilities were measured based on appraisals of tangible assets, consideration of advice provided by legal counsel for contingent liabilities in Provisions, and discounted cash flow analysis for all other assets and liabilities, taking into consideration the expected future economic benefits of the intangible assets.
[2] Amount relates to customer list with an estimated useful life of 10 years.
[3] Total consideration is based on amounts paid by the Santander Group for the acquisition of Banco Real.
[4] Includes R$124,684 thousand adjustment booked in the six months ended June 30, 2009 respective to a revision in the fair value of provisions, as permitted under IFRS 3

The Merger Agreement establishes the reasons and conditions for the corporate restructuring consisting of the merger of all the shares of Santander Seguros, Banco BCIS and Santander Brasil Asset into the equity of Banco Santander (Share Merger). As a result of the Share Merger, Santander Seguros, Banco BCIS and Santander Brasil Asset (Merged Companies) were transformed into wholly-owned subsidiaries of Banco Santander (Merging Company), under Article 252 of Law 6404/76. The stockholders' equity of Banco Santander was increased in the amount of R$2,471,413 thousand to the corresponding value of the shares of Santander Seguros, the BCIS and Santander Asset Brazil, through the issuance of 14,410,886 shares (7,710,343 shares and 6,700,543 preferred shares), all registered shares with no par value, delivered to the respective shareholders of the Merged Companies.

The mergers were accounted by the Bank using the historical IFRS balance sheet of the merged companies as of June 30, 2009, since such mergers were accounted as a business combination under common control.

Considering the fact that such transaction is a merger of shares, the legal personality of Santander Seguros, Banco BCIS and Santander Brasil Asset were preserved and any variations subsequent to the date of their balance sheets were properly accounted for in their respective accounting books.

Santander Seguros' shares incorporation caused mutual ownership for Banco Santander and Santander Seguros. This united ownership will be eliminated within one year after the of the Extraordinary Stockholders« meeting which have approved the shares incorporation, as established by the current regulation.

The merger of shares was approved by Bacen on September 28, 2009.

Balance sheets as of June 30, 2009 are presented below. The purpose of this information is to provide the position of impacts on equity related to these acquisitions.

Assets	**17,680,796**
Of which:	
Debt instruments	2,522,657
Equity instruments	13,372,434
Empréstimos e adiantamentos a clientes	172,190
Tangible assets	4,072
Liabilities	**17,680,796**
Of which:	
Customer deposits	918,682
Liabilities for insurance contracts	13,350,163
Provisions	159,758
Shareholders' equity	2,471,413

4. Cash and balances with the Brazilian Central Bank

Thousands of Reais	2009	2008
Cash and cash equivalents	**18,730,403**	**16,750,870**
Of which :		
Cash	3,630,669	3,218,899
Money market investments [1]	15,099,734	13,531,971
Central bank compulsory deposits[2]	**8,538,609**	**6,949,630**
	27,269,012	**23,700,500**

[1] Federal funds sold and securities purchased under agreements to resell, which are short-term and present insignificant risk of changes in value.
[2] Central bank compulsory deposits relate to a minimum balance financial institutions are required to maintain with the Brazilian Central Bank based on a percentage of deposits received from third parties.

5. Loans and advances to credit institutions

The breakdown, by classification, type and currency, of the balances of "Loans and advances to credit institutions" in the consolidated balance sheets is as follows:

Thousands of Reais	2009	2008
Classification:		
Financial assets held for trading	67,170	-
Other financial assets at fair value through profit or loss	1,907,265	4,046,898
Loans and receivables	24,228,143	29,691,635
	26,202,578	**33,738,533**
Type:		
Time deposits	9,945,047	10,702,723
Reverse repurchase agreements	6,160,397	4,582,903
Escrow deposits	6,192,292	6,200,677
Foreign currency investments	3,493,254	10,689,007
Other accounts	411,588	1,563,223
	26,202,578	**33,738,533**
Currency:		
Brazilian Real	20,775,625	22,661,621
US dollar	5,086,320	10,764,513
Euro	293,329	228,710
Pound sterling	14,729	13,252
Other currencies	32,725	70,861
Impairment losses	(150)	(424)
	26,202,578	**33,738,533**

Note 41-d contains a detail of the residual maturity periods of loans and receivables and of the related average interest rates.

6. Debt instruments

The breakdown, by classification, type and currency, of the balances of "Debt instruments" is as follows:

Thousands of Reais	2009	2008
Classification:		
Financial assets held for trading	12,554,035	10,011,999
Other financial assets at fair value through profit or loss	210,973	93,274
Available-for-sale financial assets	44,745,924	29,491,191
	57,510,932	**39,596,464**
Type:		
Brazilian government securities	54,580,584	37,492,944
Other debt securities	2,960,023	2,132,409
Impairment losses	(29,675)	(28,889)
	57,510,932	**39,596,464**
Currency:		
Brazilian Real	56,782,142	38,965,760
US dollar	392,213	258,310
Euro	366,252	401,283
Impairment losses	(29,675)	(28,889)
	57,510,932	**39,596,464**

At December 31, 2009, debt securities totaling R$2,590,485 thousand (2008 -R$ 3,916,554 thousand) had been assigned to repurchase agreements, R$17,994,443 thousand (2008 -R$ 17,970,817 thousand) to compulsory deposits in Central Bank, R$2,298,561 thousand (2008 -R$ 7,953,041 thousand) to guarantee BMF&Bovespa stock exchange derivative transactions and R$1,044,703 thousand (2008 -R$ 1,370,738 thousand) to escrow deposits and other guarantee.

Note 41-d contains a detail of the residual maturity periods of available-for-sale financial assets and of loans and receivables and of the related average interest rates.

7. Equity instruments

a) Breakdown

The breakdown, by classification and type, of the balances of "Equity instruments" is as follows:

Thousands of Reais	2009	2008
Classification:		
Financial assets held for trading	2,544,441	678,993
Other financial assets at fair value through profit or loss	13,787,109	-
Available-for-sale financial assets	1,660,196	1,244,490
	17,991,746	**1,923,483**
Type:		
Shares of Brazilian companies	1,470,918	1,015,603
Shares of foreign companies	67,876	312,402
Investment fund units and shares[1]	16,452,952	595,478
	17,991,746	**1,923,483**

(1) In 2009, includes Investment fund units Guarantors of Benefit Plans -PGBL/VGBL, related to the liabilities for insurance contracts, due to the incorporation of Santander Seguros (Nota 3 b.).

b) Changes

The changes in the balance of "Equity instruments – Financial assets held for trading" were as follows:

Thousands of Reais	2009	2008
Balance at beginning of year	**678,993**	**340,267**
Changes in the scope of consolidation (note 3)	1,722,965	301,377
Net additions /disposals	(9,148)	(97,755)
Valuation adjustments	151,631	135,104
Balance at end of year	**2,544,441**	**678,993**

The changes in the balance of "Equity instruments – Other financial assets at fair value through profit or loss" were as follows:

Thousands of Reais	2009	2008
Balance at beginning of year	**-**	**-**
Changes in the scope of consolidation (note 3)	11,257,572	-
Valuation adjustments	2,529,537	-
Balance at end of year	**13,787,109**	**-**

The changes in the balance of "Equity instruments – Available-for-sale financial assets" were as follows:

Thousands of Reais	2009	2008
Balance at beginning of year	**1,244,490**	**2,618,697**
Changes in the scope of consolidation (note 3)	4,526	79,770
Net additions /disposals	192,600	(284,934)
Of which: :		
Companhia Energética de São Paulo - CESP	-	(373,670)
Fundos de Investimento em Direitos Creditórios - FIDC	-	(85,246)
Wtorre Empreendimentos Imobiliários S.A.	-	299,091
Visa Inc	(228,138)	-
COLI - Fundo Investimento em Participações Coliseu	288,383	-
Santelisa Vale Bionergia S.A.	48,598	-
Santelisa Vale S.A. PN	69,526	-
Valuation adjustments	218,580	(1,169,043)
Balance at end of year	**1,660,196**	**1,244,490**

8. Trading derivatives (assets and liabilities) and Short positions

a) Trading derivatives

The detail, by type of inherent risk, of the fair value of the trading derivatives arranged by the Bank is as follows (note 41-a):

Thousands of Reais		2009		2008
	Debit Balance	**Credit Balance**	**Debit Balance**	**Credit Balance**
Interest rate risk	4,291,939	3,327,827	5,145,948	8,197,517
Foreign currency risk	630,711	1,040,600	4,111,758	2,973,718
Price risk	27,356	33,282	36,449	26,368
Other risks	-	-	853	(335)
	4,950,006	**4,401,709**	**9,295,008**	**11,197,268**

b) Short positions

Short positions for 2009 and 2008 are related to Equity instruments from borrowed securities.

9. Loans and advances to customers

a) Breakdown

The breakdown, by classification, of the balances of "Loans and advances to customers" in the consolidated balance sheets is as follows:

Thousands of Reais	2009	2008
Other financial assets at fair value through profit or loss	389,113	1,434,789
Loans and receivables	127,934,811	133,033,471
Of which:		
Loans and receivables |at amortized cost	138,005,290	141,214,627
Impairment losses	(10,070,479)	(8,181,156)
Loans and advances to customers, net	128,323,924	134,468,260
Loans and advances to customers, gross	138,394,403	142,649,416

Note 41-d contains a detail of the residual maturity periods of loans and receivables and of the related average interest rates.

There are no loans and advances to customers for material amounts without fixed maturity dates.

b) Detail

Following is a detail, by loan type and status, borrower sector and interest rate formula, of the loans and advances to customers, which reflect the Bank's exposure to credit risk in its core business, gross of impairment losses:

Thousands of Reais	2009	2008
Loan type and status:		
Commercial credit	429,588	629,177
Secured loans	31,595,312	29,518,688
Reverse repurchase agreements	72,555	5,111
Other term loans	83,662,056	83,328,780
Finance leases	12,534,102	11,836,050
Others	200,906	9,601,146
Impaired assets	9,899,884	7,730,464
	138,394,403	142,649,416
Loan borrower sector:		
Commercial, financial and industrial	69,301,774	76,406,755
Real estate-construction	3,828,300	2,469,227
Real estate-mortgage	5,225,957	4,472,602
Installment loans to individuals	47,036,774	46,856,869
Lease financing	13,001,598	12,443,963
	138,394,403	142,649,416
Interest rate formula:		
Fixed interest rate	90,663,927	79,074,052
Floating rate	47,730,476	63,575,364
	138,394,403	142,649,416

c) Impairment losses

The changes in the allowances for the impairment losses on the balances of "Loans and receivables -Loans and advances to customers" were as follows:

Thousands of Reais	2009	2008	2007
Balance at beginning of year	**8,181,156**	**2,249,432**	**2,170,380**
Impairment losses charged to income for the year	10,520,390	4,533,301	2,473,689
Of which:			
Commercial, financial and industrial	3,071,839	1,451,583	260,532
Real estate-mortgage	27,531	25,939	6,175
Installment loans to individuals	7,197,954	2,951,494	2,179,544
Lease finance	223,066	104,285	27,438
Inclusion of entities in the Bank in the year	0	4,717,191	0
Of which:			
Commercial, financial and industrial	-	1,987,596	-
Real estate-mortgage	-	48,301	-
Installment loans to individuals	-	2,609,890	-
Lease finance	-	71,404	-
Write-off of impaired balances against recorded impairment allowance	(8,631,067)	(3,318,768)	(2,394,637)
Of which:			
Commercial, financial and industrial	(3,072,849)	(738,611)	(309,529)
Real estate-mortgage	(31,177)	(13,279)	(7,175)
Installment loans to individuals	(5,377,097)	(2,513,112)	(2,027,492)
Lease finance	(149,944)	(53,766)	(50,441)
Balance at end of year	**10,070,479**	**8,181,156**	**2,249,432**
Recoveries of loans previously charged off	**537,509**	**430,656**	**293,846**

Taking into account these amounts and those recognized in "Impairment losses charged to income for the year" in the foregoing table, impairment losses on "Loans and receivables" amounted to R$9,982,881 thousand, R$ 4,102,645 thousand in 2008 and R$2,179,843 thousand in 2007.

d) Impaired assets

The detail of the changes in the balance of the financial assets classified as "Loans and receivables – loans and advances to customers" and considered to be impaired due to credit risk is as follows:

Thousands of Reais	2009	2008	2007
Balance at beginning of year	**7,730,464**	**2,092,787**	**2,009,508**
Net additions	10,800,487	5,035,515	2,477,916
Written-off assets	(8,631,067)	(3,318,768)	(2,394,637)
Increase in scope of consolidation (note 3)	-	3,920,930	-
Balance at end of year	**9,899,884**	**7,730,464**	**2,092,787**

This amount, after deducting the related allowances, represents the Bank's best estimate of the fair value of the impaired assets.

Following is a detail of the financial assets classified as loans and receivables and considered to be impaired due to credit risk at December 31, 2009 and 2008, classified by age of the oldest past-due amount:

Thousands of Reais	2009	2008
With no Past-Due Balances or Less than 3 Months Past Due	**1,725,651**	**2,214,111**
With Balances Past Due by:		
3 to 6 Months	2,813,568	2,259,350
6 to 12 Months	4,818,827	3,048,197
12 to 18 Months	493,371	182,799
18 to 24 Months	30,770	8,515
More than 24 Months	17,697	17,492
Total	**9,899,884**	**7,730,464**

10. Non-current assets held for sale

At December 31, 2009 and December 31, 2008, the total amount of non-current assets held for sale includes foreclosed assets and other tangible assets.

11. Investments in associates

a) Breakdown

The breakdown, by company, of the balance of "investments is associates" (see note 2.b) is as follows:

	Participation in %		Investiments		Results from companies accounted for by the equity method		
Thousands of Reais	2009	2008	2009	2008	2009	2008	2007
Norchem Holding e Negócios S.A.	21.75%	21.75%	24,056	21,186	2,870	1,899	2,950
Norchem Participações e Consultoria S.A.	50.00%	50.00%	28,918	27,621	1,297	3,046	3,916
Companhia de Crédito, Financiamento e Investimento RCI Brasil	39.64%	39.59%	101,303	82,087	16,720	2,639	-
Companhia de Arrendamento Mercantil RCI Brasil	39.88%	39.88%	189,088	179,072	13,133	4,548	-
Celta Holding S.A.	26.00%	26.00%	65,612	61,468	4,267	30,676	-
ABN AMRO Brasil Dois Participações S.A. (5)	-	-	-	-	126,442	-	-
Real Seguros Vida e Previdência S.A. (current denomination of Real Tokio Marine Vida e Previdência S.A.) (4)	-	49.99%	-	86,980	8,766	14,338	-
Diamond Finance Promotora de Vendas (5)	-	25.50%	-	787	106	564	-
Fonet Brasil S.A. (3) (5)	-	50.99%	-	7,644	(1,324)	(539)	-
Companhia Brasileira de Meios de Pagamento - Visanet (2) (5)	-	14.87%	-	104,409	115,796	50,726	-
Cibrasec - Companhia Brasileira de Securitização (2)	13.64%	13.64%	10,145	9,933	475	(49)	(785)
Tecban - Tecnologia Bancária S.A. (5)	-	20.68%	-	32,044	531	271	(197)
Companhia Brasileira de Soluções e Serviços - CBSS (2) (5)	-	15.32%	-	20,364	6,335	3,892	-
Interchange Serviços S.A. (1)	-	-	-	-	-	319	-
Total			**419,122**	**633,595**	**295,414**	**112,330**	**5,884**

(1) Changes in the scope of consolidation and subsequently sold during 2008.
(2) Although the participations were less than 20%, the bank presumed significant influence on such participations, which was evidenced due to the bank's representation on the board of directors of investees, participation in policy-making process, including participation in decisions about dividends and material transactions between the bank and the investees.
(3) Although the Bank possesses a minimum of 50% on each of these companies, they are not consolidated, as the Bank does not have control of such entities, either through veto rights or other shareholders' agreement items.
(4) The company has become consolidated by the Bank, as part of the merger of Santander Seguros into the Bank, approved on August 14, 2009, as described in note 2.b. and incorporated by Santander Seguros in September 2009.
(5) Investment sold in 2009.

b) Changes

The changes in the balance of this item were as follows:

Thousands of Reais	2009	2008
Balance at beginning of year	**633,595**	**54,565**
Changes in the scope of consolidation	338,715	517,143
Disposals and capital reductions[1]	(698,988)	(3,098)
Effect of equity accounting	295,414	112,330
Dividends paid	(153,181)	(46,384)
Other	3,567	(961)
Balance at end of year	**419,122**	**633,595**

(1) In 2009, the Bank made a disposal of investment of Companhia Brasileira de Meios de Pagamentos -(VisaNet), Tecban -Tecnologia Bancária S.A. and Companhia Brasileira de Soluções e Serviços -CBSS accounting a net gain of R$3,315 million recorded in Gains/losses on disposal of assets not classified as non-current asset held for sale.

c) Impairment losses

No impairment was accounted with respect to investments in associates in 2009 or 2008.

d) Other disclosures

Following is a summary of the financial information on the associates (obtained from the information available at the reporting date).

Thousands of Reais	2009	2008
Total assets	6,040,977	16,354,230
Total liabilities	5,087,708	14,099,847
Total revenues	605,491	5,883,440
Total profit	101,906	1,613,115

12. Tangible assets

Tangible assets of the Bank relate to property, plant and equipment for own use. The Bank does not have tangible assets held as investment property nor leased out under operating leases. The Bank is also not a part of any financial lease contracts as of and during fiscal years ended December 31, 2009 and 2008.

The detail, by class of asset, of the tangible assets in the consolidated balance sheets is as follows:

Thousands of Reais	Cost	Accumulated Depreciation	Impairment Losses	Net Balance
Land and buildings	1,961,109	(184,664)	(90,619)	**1,685,826**
IT equipment and fixtures	1,129,380	(624,970)	-	**504,410**
Furniture and vehicles	2,275,198	(662,038)	-	**1,613,160**
Construction in progress and other items	25,678	-	-	**25,678**
Balances at December 31, 2008	**5,391,365**	**(1,471,672)**	**(90,619)**	**3,829,074**
Land and buildings	2,098,622	(220,186)	(86,053)	**1,792,383**
IT equipment and fixtures	1,233,776	(747,826)	-	**485,950**
Furniture and vehicles	2,068,058	(644,622)	-	**1,423,436**
Balances at December 31, 2009	**5,400,456**	**(1,612,634)**	**(86,053)**	**3,701,769**

Changes

The changes in "Tangible assets" in the consolidated balance sheets were as follows:

Thousands of Reais	2009	2008
Cost:		
Balances at beginning of the year	**5,391,365**	**2,539,531**
Changes in the scope of consolidation (note 3)	5,524	1,344,375
Additions/Disposals (net)	5,781	1,509,306
Exchange differences and other items	(2,214)	(1,847)
Balances at end of the year	**5,400,456**	**5,391,365**
Accumulated depreciation:		
Balances at beginning of the year	**(1,471,672)**	**(1,336,134)**
Changes in the scope of consolidation (note 3)	(1,452)	-
Disposals	257,146	149,204
Charge for the year	(447,138)	(301,731)
Exchange differences and other items	50,482	16,989
Balances at end of the year	**(1,612,634)**	**(1,471,672)**
Impairment losses:		
Balances at beginning of the year	**(90,619)**	**(92,427)**
Impairment charge for the year	4,566	(28,129)
Transfers and other changes	-	29,937
Balances at end of the year	**(86,053)**	**(90,619)**
Tangible assets, net	**3,701,769**	**3,829,074**

The depreciation expenses has been included in the line item "Depreciation and Amortisation" in the income statement.

13. Intangible assets -Goodwill

The goodwill recorded is subject to impairment test at least annually or whenever there are indications of impairment.

For this purpose, management estimates cash flow that is subject to several factors, including: (i) macro-economic projections of interest rates, inflation, exchange rate and other, (ii) the conduct and growth estimates (iii) increased costs, returns, synergies and investment plan, (iv) the behavior of customers, and (v) growth rate and adjustments applied to flows in perpetuity. The adoption of these estimates involves the likelihood of future events and changing some of these factors could have a different result.

Based on the assumptions described above the tests carried out did not identify any impairment to the Company's goodwill in 2009.

The breakdown of "Goodwill" is as follows:

Thousands of Reais	2009	2008
Banco ABN Amro Real S.A.	27,217,565	27,488,426
Real Seguros Vida e Previdência	1,094,671	-
	28,312,236	**27,488,426**

The changes of goodwill in December, 31 2009 and 2008 were as follows:

Thousands of Reais	2009	2008
Balance at beginning of the year	**27,488,426**	**-**
Acquisitions:		
Banco ABN Amro Real S.A. (1)	124,684	27,488,426
Real Seguros Vida e Previdência	1,094,671	-
Disposals:		
Banco ABN Amro Real S.A. (2)	(395,545)	-
Balance at end of the year	**28,312,236**	**27,488,426**

(1) Includes the adjusted amount of R$124,684 thousand in June 30, 2009, related to fair value«s final determination, as allowed by IFRS 3.
(2) It includes the partial write-off of the goodwill on investments on ABN Amro Brasil Dois Participações S.A. and Companhia Brasileira de Meios de Pagamento - Visanet.

14. Intangible assets -Other intangible assets

The breakdown of the balance of "Other intangible assets" is as follows:

Thousands of Reais	Estimated Useful Life	2009	2008
With finite useful life:			
IT developments	3 years	1,711,000	1,122,446
Customer relationship	(1)	4,288,031	3,701,604
Other assets	up to 5 years	237,517	11,684
Accumulated amortization		(2,123,698)	(1,177,222)
Impairment losses		(807,147)	(151,651)
		3,305,703	**3,506,861**

(1) Includes accrued payments related to the commercial partnership contracts with the private and public sectors to secure exclusivity for banking services of payroll credit processing and payroll loans, maintenance of collection portfolio, supplier payment services and other banking services. Banco Real's customer relationship is amortized in 10 years and exclusivity contracts for provision of banking services are amortized over the term of the respective agreements.

The changes in "Other intangible assets" were as follows:

Thousands of Reais	2009	2008
Balance at beginning of year	**3,506,861**	**1,799,182**
Change in the scope of consolidation (note 3)	8,296	1,610,007
Additions/Disposals (net)	1,466,411	688,357
Amortization	(801,474)	(544,274)
Impairment losses(1)	(859,216)	(52,002)
Exchange differences and other changes (net)	(15,175)	5,591
Balance at the end of year	**3,305,703**	**3,506,861**

(1) In 2009, includes a provision for impairment losses over the purchase of contracts for providing banking services in the amount of R$818,843 thousand. This impairment was recognized due to: (i) change in the Law of the portability of current accounts which allowed customers to choose the bank which they want to receive their salaries; (ii) reduction on the market value of contracts for provision of banking services; and (iii) the contracts termination experience.

The amortization expenses has been included in the line item "Depreciation and Amortization" in the income statement.

15. Other assets

The breakdown of the balance of "Other assets" is as follows:

Thousands of Reais	2009	2008
Transactions in transit	684,409	3,873
Prepayments and accrued income	1,059,738	1,186,188
Other receivables	127,290	1,680,543
	1,871,437	**2,870,604**

16. Deposits from the Brazilian Central Bank and Deposits from credit institutions

The breakdown, by classification, type and currency, of the balances of these items is as follows:

Thousands of Reais	2009	2008
Classification:		
Other financial liabilities at fair value through profit or loss	1,795	307,376
Financial liabilities at amortized cost	21,195,959	26,510,219
Of which:		
Deposits from the Brazilian Central Bank	240,113	184,583
Deposits from credit institutions	20,955,846	26,325,636
	21,197,754	**26,817,595**
Type:		
Demand deposits	195,081	65,585
Time deposits	20,838,179	26,720,554
Repurchase agreements	164,494	31,456
	21,197,754	**26,817,595**
Currency:		
Real	10,706,908	9,711,892
Euro	236,572	979,026
US dollar	10,004,349	12,957,208
Other currencies	249,925	3,169,469
	21,197,754	**26,817,595**

Note 41-d contains a detail of the residual maturity periods of financial liabilities at amortized cost and of the related average interest rates.Note 41 d contains a detail of the residual maturity periods of financial liabilities at amortized cost and of the related average interest rates.

17. Customer deposits

The breakdown, by classification and type, of the balance of "Customer deposits" is as follows:

Thousands of Reais	2009	2008
Classification:		
Financial liabilities at amortized cost	149,440,156	155,494,839
	149,440,156	155,494,839
Type:		
Demand deposits:		
Current accounts	15,139,942	15,297,660
Savings accounts	25,216,924	20,642,679
Time deposits	74,633,544	88,880,022
Repurchase agreements	34,449,746	30,674,478
	149,440,156	**155,494,839**

Note 41-d contains a detail of the residual maturity periods of financial liabilities at amortized cost and of the related average interest rates.

18. Marketable debt securities

The breakdown, by classification and type, of the balance of "Marketable debt securities" is as follows:

Thousands of Reais	2009	2008
Classification:		
Financial liabilities at amortized cost	11,439,010	12,085,655
	11,439,010	**12,085,655**
Type:		
Bonds outstanding	5,805,455	5,342,334
Notes and other securities	5,633,555	6,743,321
Total	**11,439,010**	**12,085,655**
Of which:		
Securitization notes (MT100) (1)	1,371,588	1,816,289
Agribusiness credit notes -LCA	1,231,260	2,016,367
Real estate credit notes -LCI	5,985,385	4,496,764

(At December 31, 2009 and 2008, none of these issues was convertible into Bank shares or granted privileges or rights which, in certain circumstances, make them convertible into shares.

Note 41-d contains a detail of the residual maturity periods of financial liabilities at amortized cost and of the related average interest rates in each year.

The breakdown, by currency, of the balance of this account is as follows:

	Thousands of Reais		Average Interest Rate (%)	
Currency:	**2009**	**2008**	**2009**	**2008**
Real	9,718,114	9,630,331	9.0%	10.19%
US dollar	1,671,530	2,455,324	3.3%	4.23%
Euro	49,366	-	0.4%	-
Balance at end of year	**11,439,010**	**12,085,655**	**7.9%**	**8.98%**

The changes in "Marketable debt securities" were as follows:

Thousands of Reais	2009	2008
Balance at beginning of year	**12,085,655**	**2,805,417**
Change in the scope of consolidation (note 3)	-	4,077,492
Issues	14,746,518	12,148,373
Redemption	(16,080,145)	(8,378,657)
Interest	1,047,750	548,834
Foreign exchange	(564,515)	356,261
Other	203,747	527,935
Balance at end of year	**11,439,010**	**12,085,655**

1) It includes the series 2004-1 in the amount of US$190 million (2008-US$277 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 related to Payable for sale of right to receipt of future flow of payment orders receivable from foreign correspondent banks, the series 2009-1 in the amount of US$50 million, with charges equivalent to 2.8% p.a., payable semiannually, with the principal payable in 6 installments between March 2012 to September 2014 and the series 2009-2 in the amount of US$50 million, with charges equivalent to 6.2% p.a., payable semiannually, with the principal payable between March 2013 to September 2019.

The changes in "Subordinated liabilities" were as follows:

	2009	2008
Balances at beginning of year	**9,197,429**	**4,210,224**
Change in the scope of consolidation (note 3)	-	3,491,143
Issues	1,507,000	650,000
Subordinated Certificates (maturity within May 2013 to May 2018 and index to CDI)	-	282,500
Subordinated Certificates (maturity within May 2013 to May 2018 and index to IPCA)	-	267,500
Subordinated Certificates (maturity in November 2014 and index to CDI)	-	100,000
Subordinated Certificates (maturity in May 2019 and 13,5% fixed interest rate)	1,507,000	-
Redemption		
Quarterly interest payments	(159,905)	(126,802)
Interest	1,076,557	690,014
Foreign exchange	(316,636)	282,850
Balances at end of year	11,304,445	9,197,429

Note 41-d contains a detail of the residual maturity periods of subordinated liabilities at each year-end and of the related average interest rates in each year,

20, Other financial liabilities

The breakdown of the balances of these items is as follows:

Thousands of Reais	2009	2008
Credit card obligations	5,293,202	4,898,336
Unsettled financial transactions	2,060,835	3,107,531
Dividends payable	1,623,885	1,449,922
Tax collection accounts -Tax payables	482,544	838,893
Other financial liabilities	727,698	390,490
	10,188,164	**10,685,172**

Note 41-d contains a detail of the residual maturity periods of other financial assets and liabilities at each year-end,

21, Provisions

a) Breakdown

The breakdown of the balance of "Provisions" is as follows:

Thousands of Reais	2009	2008
Provisions for pensions and similar obligations	1,096,799	1,078,916
Provisions for commitments and other provisions (1)	8,383,463	7,836,329
Provisions	9,480,262	8,915,245

(1) Includes mainly provisions for taxes and others legal, civil and labor contingencies,

b) Changes

The changes in "Provisions" were as follows:

Thousands of Reais		2009			2008	
	Pensions	Provisions for commitments and other provisions[1]	Total	Pensions	Provisions for commitments and other provisions[1]	Total
Balances at beginning of year	**1,078,916**	**7,836,329**	**8,915,245**	**777,639**	**4,038,682**	**4,816,321**
Net change in the scope of consolidation (note 3)	-	96,459	96,459	273,423	4,570,516	4,843,939
Additions charged to income:						
Interest expense and similar charges (note 30)	100,567	-	100,567	91,437	-	91,437
Personnel Expenses (note 37)	36,534	-	36,534	45,060	-	45,060
Additions to provisions	43,464	3,437,229	3,480,693	18,359	1,211,958	1,230,317
Payments to pensioners and early retirees with a charge to internal provisions	(35,752)		(35,752)	(33,054)	-	(33,054)
Payments to external funds	(130,095)	-	(130,095)	(93,948)	-	(93,948)
Amount used		(2,726,181)	(2,726,181)	-	(2,142,761)	(2,142,761)
Transfers, exchange differences and other changes	3,165	(260,373)	(257,208)	-	157,934	157,934
Balances at end of year	**1,096,799**	**8,383,463**	**9,480,262**	**1,078,916**	**7,836,329**	**8,915,245**

c) Provisions for pensions and similar obligations

i, 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,

- **Banesprev - Fundo Banespa de Seguridade Social (Banesprev)**

-Plan I: Defined benefit plan 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: Defined benefit plan 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: Defined benefit plan fully defrayed by the Bank, covers employees hired on or after May 22, 1975,

-Supplemental Pension Plan: Defined benefit plan 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: Defined contribution covering 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: Defined contribution covering employees hired on or after November 27, 2000, in which the sponsor contributes only to risk benefits and administrative costs,

- **Sanprev - Santander Associação de Previdência (Sanprev)**

-Plan I: Defined benefit plan 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

(1) Includes, primarily, legal obligations, tax and social security, labor and civil contingencies,

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,

Holandaprevi

Defined contribution plan, In June 2009, the Holandaprevi Pension Plan was redesigned to offer to the employees of the Santander the contribution to which is shared by the employee and the company, Holandaprevi is a private pension entity engaged in providing social security benefit plans which are supplementary to the government social security plan, in accordance with prevailing legislation,

Previban

Defined benefit plan, managed by Previban -Previdência Privada Paraiban, sponsored by Banco Santander, 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,

Bandeprev

Defined benefit plan, sponsored by Banco Santander and 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,

Fasass

In June, 2009, after the approval of the Supplementary Pension Plan Secretariat (SPC), the individual reserves of defined benefit and variable contribution private pension plans, under the responsibility of Funda ‹o AmŽrica do Sul de Assist ncia e Seguridade Social (FASASS), were transferred to the private pension plan company which is not a member of the Santander , The purpose of this operation is to offer to the assisted members and beneficiaries the option of receiving a benefit equivalent to that of the PGBL (pension plan similar to a life insurance), in view of the cancellation of the sponsorship by the Bank, approved by SPC on February 27, 2009, For the members who joined the new plans (PGBLs), Banco Santander transferred R$26,963, with financial settlement in July 2009, to form the Mathematical Reserve for Benefits Granted,

Others

Banco Santander S,A, is the sponsor of pension plans for associated employees, structured as defined benefit plans,

ii, Actuarial Techniques

The amount of the defined benefit obligations was determined by independent actuaries using the following actuarial techniques:

Valuation method

Projected unit credit method, which sees each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately,

Nominal discount rate for actuarial obligation

- Banesprev -Plan V and Other Plans -11.1% (2008 -11.07%),
- Banesprev -Supplementary Pension Plan -11.1% (2008 -14.9%),
- Sanprev -11.1% (2008 -12.5%),
- Bandeprev, Holandaprevi e Previban -11.1% (2008 -10.3%),

Expected rate of return on plan assets

- Banesprev -Plan I -12.1% (2008 -12.9%),
- Banesprev -Plan II -12.5% (2008 -12.9%),
- Banesprev -Plan III -12.5% (2008 -12.9%),
- Banesprev -Plan IV -10.6% (2008 -12.5%),
- Banesprev -Supplementary Pension Plan -11.1% (2008 -14.9%),
- Banesprev -Plan V -10.8% (2008 -16.5%),
- Sanprev -10.6% (2008 -10.6%),
- Bandeprev -10.0% (2008 -12.1%), Holandaprevi 9.7% and Previban -11.7% (Previban and Holandaprevi for 2008 -11.8%),

- **Estimated long-term inflation rate**

- Sanprev -All Plans -4.2% (2008 -4,0%),
- Banesprev, Bandeprev and Holandaprevi -4.2% (2008 -4.0%),
- Previban -4.0% (2008, 4.0%),

- **Estimate salary increase rate**

- Banesprev -Plans I to V and Other Plans -4.7% (2008, 4.0%),
- Bandeprev and Holandraprevi -4.7% (2008, 1.0%),
- Previban -Null growth, as they do not have active participants,
- Sanprev -4.7% (2008, 4.2%),

- **Estimated benefit increase rate**

- Banesprev -4.2% (2008, 4.0%),
- Previban -4.0% (2008 -0%)
- Holandaprevi -4.2% (2008, 4.0%),
- Bandeprev -4.2% (2008, 4.0%),
- Sanprev -4.2% (2008, 4.0%),

- **General mortality biometric table**

- Banesprev, Sanprev, Holandaprevi, Bandeprev and others plans -AT-2000,
- Previban -UP-94 segregated by sex,

- **Disability biometric table and disability mortality table**

- Banesprev, Sanprev, Holandaprevi and Previban -Mercer Disability Table,
- Bandeprev -Mercer Disability Entrance Table,

- **Expected Turnover table**

- Banesprev -Plan V (0,1/length os service + 1) until 50 years of age, (There was no change since 2008 for this criteria),
- Banesprev -Plan II -2.0% (2008, 2.0%),
- Banesprev -Supplementary Pension Plan and Other Plans -0%,
- Sanprev -0%,
- Holandaprevi segregated by age according to the rates below, by minimum wage (MW): up to 10 MW -10% (under 30 years old) or 9% (between 30 and 35 years old); from 10 MW to 20 MW -9% (under 30 years old) or 8% (between 30 and 35 years old); and above 20 MW -8% (under 30 years old) or 7% (between 30 and 35 years old), (There was no change in this criteria since 2008),
- Bandeprev, segregated by age and wage, as follow: upt to 10 MW = 0,45/(length of service+ 1); from 10 MW to 20 MW = 0,30/(length of service + 1); and above 20 MW = 0,15/(length of service + 1), (There were no changes for this criteria since 2008),
- Previban null turnover table, due to absense of active participants, (There was no change in this criteria since 2008),

- **Probability of retirement:**
  100% upon first eligibility,

iii, Health and Dental Care Plan

- **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,

- **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,

- **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,

- **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,

- **Officer with lifetime benefits**
  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,

- **Plasas -Supplementary Health Plan**
  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,

- **Life insurance for Banco Real's retirees**
  CLife 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),

- **Free clinic**
  The health care plan "free clinic" is a lifetime plan offered to the retirees who have contributed to Funda ‹o Sudameris for at least 25 years and is funded by the users, The plan is offered only for hospitalization in wards,

During 2009, the Bank recognized an expense of R$36,534 thousand (2008 -R$33,166 thousand and 2007 -R$ 3,919 thousand) related to contributions to pension funds (note 37),

The funding status of the defined benefit obligations in 2009 and 2008 is as follows:

Thousands of Reais	Post-Employment Plans		Other Similar Obligations	
	2009	2008	2009	2008
Present value of the obligations:				
To current employees	1,078,765	954,321	23,053	26,806
Vested obligations to retired employees	12,644,915	11,676,568	3,842,505	2,684,670
To early retirees	-	-	-	44
	13,723,680	12,630,889	3,865,558	2,711,520
Less:				
Fair value of plan assets	13,324,387	12,390,745	3,683,450	2,897,569
Unrecognized actuarial (gains)/losses	223,152	(180,135)	282,858	(223,100)
Unrecognized assets	(619,308)	(378,950)	(402,457)	(242,636)
Unrecognized past service cost	358	-	-	-
Provisions – Provisions for pensions	**795,091**	**799,229**	**301,707**	**279,687**

The amounts recognized in the consolidated income statement in relation to the aforementioned defined benefit obligations are as follows:

Thousands of Reais	Post-Employment Plans		Other Similar Obligations	
	2009	2008	2009	2008
Current service cost	22,051	21,284	14,483	23,776
Interest cost	1,362,265	1,362,586	307,459	311,758
Expected return on plan assets	(1,291,696)	(1,278,663)	(277,461)	(304,244)
Extraordinary charges:				
Actuarial (gains)/losses recognized in the year	36,552	16,726	6,857	-
Past service cost	57	-	-	-
Early retirement cost	-	-	-	1,633
Total	**129,229**	**121,933**	**51,338**	**32,923**

The changes in the present value of the accrued defined benefit obligations were as follows:

Thousands of Reais	Post-Employment Plans		Other Similar Obligations	
	2009	2008	2009	2008
Present value of the obligations at beginning of year	12,630,889	10,003,684	2,711,520	2,786,388
Change in the scope of consolidation (note 3)		1,372,869		291,755
Current service cost	22,051	21,284	14,483	23,776
Interest cost	1,362,265	1,362,586	307,459	311,758
Early retirement cost	-	-	-	1,633
Benefits paid	(1,394,064)	(922,771)	(178,875)	(157,266)
Past service cost		-	-	-
Actuarial (gains)/losses	1,102,539	931,691	1,010,971	(539,867)
Other		(138,454)		(6,657)
Present value of the obligations at end of year	**13,723,680**	**12,630,889**	**3,865,558**	**2,711,520**

The net inclusion of entities in the Bank mainly relates to Banco Real.

The changes in the fair value of the plan assets were as follows:

Thousands of Reais	Post-Employment Plans		Other Similar Obligations	
	2009	2008	2009	2008
Fair value of plan assets at beginning of year	12,390,745	10,117,296	2,897,569	2,782,114
Change in the scope of consolidation (note 3) *	-	1,574,595	-	93,401
Expected return on plan assets	1,291,696	1,278,663	277,461	304,244
Actuarial gains/(losses)	684,445	230,194	638,240	(169,057)
Contributions	106,837	83,055	42,751	41,487
Of which:				
By the Bank [1]	84,495	67,513	37,635	36,021
By plan participants	22,341	15,542	5,116	5,466
Benefits paid	(1,149,336)	(893,058)	(172,572)	(153,225)
Exchange differences and other items		-	-	(1,395)
Fair value of plan assets at end of year	**13,324,387**	**12,390,745**	**3,683,450**	**2,897,569**

* The net inclusion of entities in the Bank relates mainly to Banco Real in 2008 (Note 3).

In 2010 the Bank expects to make contributions to fund these obligations for amounts similar to those made in 2009.

The main categories of plan assets as a percentage of total plan assets are as follows:

	2009	2008
Equity instruments	2.55%	5.47%
Debt instruments	96.58%	92.85%
Properties	0.12%	0.10%
Other	0.75%	1.58%

The expected return on plan assets was determined on the basis of the market expectations for returns over the duration of the related obligations.

The following table shows the estimated benefits payable at December 31, 2009 for the next ten years:

	Thousands of Reais
2010	1,264,185
2011	1,309,276
2012	1,364,315
2013	1,420,332
2014	1,476,617
2015 a 2019	8,220,000
	15,054,725

d) Provisions for commitments and other provisions

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.

Provisions 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.

Management understands that the recognized provisions are sufficient to cover probable losses on the lawsuits.

i. Legal obligations and tax and social security contingencies

In November 2009, the Bank and its controlled entities joined the program of installments and payment of tax debts and social security established by Law 11941/2009. The main processes included in this program were: (i) Deductibility of CSLL, in which the entities were claiming the deduction of CSLL in the calculation of IRPJ. (ii) lawsuit filed by several companies of the consolidated challenging the application of an increased CSLL rate (18% -30%) for financial institutions as compared to the rate for non-financial companies (8% -10) and (iii) Concurrency IRPJ, in which ABN Leasing intended to reconcile for income tax depreciation expense in the same period of recognition of revenue from leasing consideration.

Considering the rules established in this Law, the accounting effects of tax and social security contingencies included as cash payment, were recorded at the time of entry into the program. As a result, was settled contingent tax liabilities in the amount of R$ 1,344,860 through the payment (R$ 422,857) and the conversion of guarantee deposits (R$ 731,160). It was recorded in the income of the year a net gain of R$ 207,603 before taxes. It was not used tax loss carryforwards or social contribution in the settlement of these tax debts as authorized by the Law.

The Bank and its subsidiaries also accepted to split the tax debts and social security, which may be settled at a later date after the formal consolidation of debts, to be held by the Federal Revenue Service, under the rules of the program. Thus, no accounting effect was recognized in the case of this kind of a split as it was not possible to identify and

the Federal Revenue Service, under the rules of the program. Thus, no accounting effect was recognized in the case of this kind of a split as it was not possible to identify and quantify the processes to be included in the program and its accounting effects.

The main judicial and administrative proceedings involving tax and social security obligations that remain after the application of Law n¡11.941/09 are:

- PIS and Cofins -R$3,734,078 thousand (2008 -R$2,210,489 thousand): lawsuit filed by several companies of the conglomerate against the provisions of article 3, paragraph 1 of Law No. 9718/98, pursuant to which PIS and COFINS must be levied on all revenues of legal entities. Prior to said provisions, already overruled by several recent decisions by the Federal Supreme Court, PIS and Cofins were levied only on revenues from services and sale of goods.
- CSLL -equal tax treatment -R$258,985 thousand (2008 -R$ 502,948 thousand) -lawsuit filed by several companies of the consolidated challenging the application of an increased CSLL rate (18% -30%) for financial institutions as compared to the rate for non-financial companies (8% -10%). These proceedings were not subject of the application of Law n¡11.941/09.
- Increase in CSLL tax rate -R$548,550 thousand (2008 – 136,853 thousand) -the Bank and other companies of the conglomerate filed for an injunction to avoid the increase in the CSLL tax rate established by Executive Act 413/2008, converted into Law 11.727/2008. Financial institutions were subject to a CSLL tax rate of 9%, however the new legislation established a 15% tax rate.
- Service Tax (ISS) -Financial Institutions -R$268,845 thousand (2008 -R$279,554 thousand): 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.
- Social Security Contribution (INSS) -R$209,045 thousand (2008 -R$163,896 thousand): refers to administrative and

judicial proceedings on several companies seeking collection of social security contribution and salary premium for education on amounts that normally are not of a salary nature.

- Allowance for doubtful accounts -R$209,559 thousand (R$205,714 thousand) -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.

ii. 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, provisions are recognized based on the history of payments made. Labor claims that do not fit into the previous criterion are accrued according to the escrow deposits made for the lawsuits or are assessed individually, and provisions are recognized based on the status of each lawsuit, law and previous court decisions according to the assessment of the likelihood of a favorable outcome, and the risk assessment made by the legal counsel.

iii. Civil contingencies

Lawsuits for indemnity seek indemnity for property damage and/or moral, relating to the consumer relationship on matters related to credit cards, bank accounts, collection and loans. There are also collection lawsuits related to the elimination of inflation effects in savings and escrow deposit accounts deriving from the Economic Plans (Bresser, Ver‹o, Collor I and II) and other matters.

For civil lawsuits considered to be similar and usual, provisions are recognized based on the history of payments made. Civil lawsuits that do not fit into the previous criterion are accrued according to the individual assessment made, and provisions are recognized based on the status of each lawsuit, law and previous court decisions according to the assessment of the likelihood of a favorable outcome, and the risk assessment made by the legal counsel.

On September 1, 2009, the Bank reached an settlement with the non-controlling stockholders of the extinct Banco Noroeste related to the lawsuits filed against the corporate events that occurred in 1998 and 1999 and the lawsuits were terminated. This settlement and the resulting termination of the lawsuits have already been confirmed by courts.

iv. Other lawsuits under the responsibility of former controlling stockholders

Refer to tax, labor and civil lawsuits in the amounts of R$430,357, R$61,141 and R$33,601 (2008 -R$459,291, R$137,861 and R$57,386), with 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$525,099 (2008 R$654,538). These lawsuits have no effects on the balance sheet.

v. Contingent liabilities classified as possible loss risk

Refer to judicial and administrative proceedings involving tax, civil and labor matters assessed by the legal counsels as possible losses, 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 T'tulos e Valores Mobiliários Ltda. (Santander DTVM), actual Produban Servi os Técnicos de Informática S.A. 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. It is awaiting a trial filed by the bank, in face of order dismissing the continuity of the appeal. The updated amount of each proceeding is approximately R$515 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$381 million.

- Losses on lending operations -Administrative collection by the Federal Revenue Service in view of the deduction from the IRPJ and CSLL basis of losses on lending operations once they would not have met the conditions and terms laid down in the current legislation. The updated amount involved is approximately R$224 million.
- CSLL -Unconstitutionality -Noncompliance with the amnesty established by Law 9.779/1999 -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$165 million.
- CSLL -equal tax treatment -Amendment 10/96 -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$162 million.
- CSLL -Final and unappealable decision -This lawsuit claims the right not to recognize the tax credit claimed by the Federal Revenue Service related to alleged irregularities in the payment of CSLL, as the Entity was granted a favorable final and unappealable decision that overrules the collection of CSLL under Law 7.689/1988 and Law 7.787/1989. The appeals filed with the Federal Regional Court are awaiting a decision. The amount involved adjusted for inflation is approximately R$148 million.
- 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 S‹o 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 and the Bank has filed an appeal. The involved amount is not disclosed due to the current stage of the lawsuit and the possibility of affecting its progress.
- Addition to the Price on the Purchase of Shares of Banco do Estado de S‹o Paulo S.A. -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. 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. The updated amount involved is approximately R$345 million.

22. Other liabilities

The breakdown of the balance of "Other Liabilities" is as follows:

Thousands of Reais	2009	2008
Accrued expenses and deferred income	1,751,717	2,026,316
Transactions in transit	349,097	336,265
Other	2,126,954	1,164,381
	4,227,768	**3,526,962**

23. Tax matters

a) Income and Social Contribution Taxes

The total charge for the year can be reconciled to accounting profit as follows:

Thousands of Reais	2009	2008	2007
Income before taxes, net of profit sharing	8,137,129	2,548,833	2,687,141
Interest on capital[1]	(825,122)	(480,000)	(527,600)
Unrealized profits	(4,707)	(1,335)	-
Income before taxes	**7,307,300**	**2,067,498**	**2,159,541**
Total income and social contribution tax at the rates of 25% and 15%, respectively (*)	(2,922,920)	(826,999)	(734,244)
PIS and COFINS (net of income and social contribution taxes)[2]	(993,057)	(492,554)	(389,984)
Equity in subsidiaries	118,166	44,932	2,001
Goodwill	1,519,094	375,542	303,178
Nondeductible expenses and provisions	32,865	(74,441)	63,150
Exchange variation -foreign branches[3]	(634,492)	681,453	(28,899)
Effect of income and social contribution taxes on prior year's temporary differences	157,493	125,311	26,664
Effects of change in tax rate and result in subsidiaries at the rate of 9%	67,176	(9,221)	-
Other adjustments	26,510	5,770	(26,008)
Income and social contribution taxes	**(2,629,165)**	**(170,207)**	**(784,142)**
Of which:			
Current tax	(3,650,660)	(1,173,722)	(749,295)
Deferred taxes	1,021,495	1,003,515	(34,847)
Taxes paid in the year	(1,973,257)	(918,677)	(392,791)

(*) 25% and 9% for 2007,

(1) Amount distributed to shareholders as interest attributable to shareholders' equity, For accounting purposes, although the interest should be reflected in the statement of income for tax deduction, the charge is reversed before the calculation of the net income in the statutory financial statements and deducted from the shareholders' equity since is considered as dividend,
(2) PIS and COFINS are considered a profit-base component (net basis of certain revenues and expenses), therefore and accordingly to IAS 12 it is recorded as income taxes,
(3) Relates to the net loss in 2009 and net gain in 2008 arising from the economic hedge of the Bank's position in Cayman, which is a non-autonomous subsidiary, offset by a loss recorded on "Gain/Losses on Financial Assets and Liabilities (Net)", See Note 34,

b) Effective tax rate calculation

The effective tax rate is as follows:

Thousands of Reais	2009	2008
Profit Before Taxes	8,137,129	2,548,833
Income tax	2,629,165	170,207
Effective tax rate[1]	32.31%	6.68%

(1) In 2009 and 2008, considering the tax effect of the exchange variation over foreign branches and the economic hedge, accounted in the Gains/losses on financial assets and liabilities (note 34) the effective tax rate would have been 23,2% and 25,0%, respectively,

c) Tax recognized in equity

In addition to the income tax recognized in the consolidated income statement, the Bank recognized the following amounts in consolidated equity:

Thousands of Reais	2009	2008
Tax credited to equity	**170,038**	**463,203**
Measurement of available-for-sale fixed-income securities	-	463,203
Measurement of available-for-sale equity securities	20,187	-
Measurement of cash flow hedges	149,851	-
Tax charged to equity	**(568,155)**	**(165,996)**
Measurement of non-current assets held for sale	(19,397)	-
Measurement of available-for-sale fixed-income securities	(548,758)	-
Measurement of cash flow hedges	-	(165,996)
Total	**(398,117)**	**297,207**

d) Deferred taxes

The detail of the balances of "Tax assets – Deferred" and "Tax liabilities – Deferred" is as follows:

Thousands of Reais	2009	2008
Tax assets	13,617,159	11,769,157
Of which:		
Tax loss carryforwards	1,669,755	1,377,470
Temporary differences [1]	11,947,404	10,391,687
Tax liabilities	3,867,857	3,130,894
Of which:		
Excess depreciation of leased assets	2,153,120	1,156,283
Adjustment to fair value of trading securities and derivatives	1,714,737	1,372,552

The changes in the balances of "Tax Assets – Deferred" and "Tax Liabilities – Deferred" in the last two years were as follows:

Thousands of Reais	Balances at December 31, 2008	(Charge)/ Credit to Income	Charge/ Credit to Asset and Liability Revaluation Reserve	Acquisitions for the Year (Net)	Balances at December 31, 2009
Deferred tax assets	11,769,157	1,753,146	107,989	(13,133)	13,617,159
Deferred tax liabilities	3,130,894	731,651	3,960	1,352	3,867,857
Total	**8,638,263**	**1,021,495**	**104,029**	**(14,485)**	**9,749,302**

Thousands of Reais	Balances at December 31, 2007	(Charge)/ Credit to Income	Charge/Credit to Asset and Liability Revaluation Reserve	Acquisitions for the Year (Net)	Balances at December 31, 2008
Deferred tax assets	4,073,205	2,224,953	45,185	5,425,814	11,769,157
Deferred tax liabilities	1,452,640	1,221,438	(491,031)	947,847	3,130,894
Total	**2,620,565**	**1,003,515**	**536,216**	**4,477,967**	**8,638,263**

[1] Temporary differences relate mainly to impairment losses on loans and receivables and contingent liabilities.

24. Minority interests

"Minority interests" include the net amount of the equity of subsidiaries attributable to equity instruments that do not belong, directly or indirectly, to the Bank, including the portion attributed to them of profit for the year.

a) Breakdown

The detail, by company, of the balance of "Equity -Minority interests" is as follows:

Thousands of Reais	2009	2008
Agropecuária Tapirapé S.A.	63	60
Banco ABN AMRO Real S.A.	-	80
Banco Commercial e de Investimento Sudameris S.A.	-	3,977
Real Leasing S.A. Arrendamento Mercantil	910	819
Real CHP S.A.	297	334
Brasil Foreign Diversified Payment Rights Finance Company	67	-
Other companies	1	9
	1,338	**5,279**
Profit for the year attributed to minority interests	**358**	**231**
Of which:		
Agropecuária Tapirapé S.A.	3	-
Banco Commercial e de Investimento Sudameris S.A.	-	206
Real Leasing S.A. Arrendamento Mercantil	94	19
Real CHP S.A.	261	-
Other companies	-	6

b) Changes

The changes in the balance of "Minority interests" are summarized as follows:

Thousands of Reais	2009	2008
Balance at beginning of year	**5,279**	**57**
Change in the scope of consolidation (note 3)	(4,299)	4,991
Profit for the year attributed to minority interests	358	231
Balance at end of year	**1,338**	**5,279**

25. Valuation adjustments

The balances of "Valuation adjustments" include the amounts, net of the related tax effect, of the adjustments to assets and liabilities recognized temporarily in equity stated in the statement of changes in equity and recognized income and expense until they are extinguished or realized, when they are recognized in the consolidated income statement. The amounts arising from subsidiaries and jointly controlled entities are presented, on a line by line basis, in the appropriate items according to their nature.

It should be noted that the statement of recognized income and expense includes the changes to "Valuation adjustments" as follows:

- Revaluation gains/losses: includes the amount of the income, net of the expenses incurred in the year, recognized directly in equity. The amounts recognized in equity in the year remain under this item, even if in the same year they are transferred to the income statement or to the initial carrying amount of the assets or liabilities or are reclassified to another line item.
- Amounts transferred to income statement: includes the amount of the revaluation gains and losses previously recognized in equity, even in the same year, which are recognized in the income statement.
- Amounts transferred to the initial carrying amount of hedged items: includes the amount of the revaluation gains and losses previously recognized in equity, even in the same year, which are recognized in the initial carrying amount of assets or liabilities as a result of cash flow hedges.
- Other reclassifications: includes the amount of the transfers made in the year between the various valuation adjustment items.

The amounts of these items are recognized gross, including the amount of the valuation adjustments relating to minority interests, and the corresponding tax effect is presented under a separate item, except in the case of entities accounted for using the equity method, the amounts for which are presented net of the tax effect.

a) Available-for-sale financial assets

This item includes the net amount of unrealized changes in the fair value of assets classified as available-for-sale financial assets.

The changes in the balance at December 31, 2009 with respect to the previous year relate mainly to the increase arising from the gain of unrealized gains that were recognized in equity at 2008 year-end.

b) Cash flow hedges

This item includes the gains or losses attributable to hedging instruments that qualify as effective hedges. These amounts will remain under this heading until they are recognized in the consolidated income statement in the periods in which the hedged items affect it (see note 41-a).

Accordingly, amounts representing valuation losses will be offset in the future by gains generated by the hedged instruments.

26. Shareholders' equity

a) Capital

According to the bylaws, the Bank's capital may be increased to the limit of authorized capital, regardless of statutory, by resolution of the Board of Directors and through the issuance of up to 500 billion new shares, within the limits legally established as the number of preferred shares. Any increase in capital in excess of this limit will require the approval of the stockholders. The paid-up capital is represented as follows:

			Thousands of shares			
			2009			2008
	Common	Preferred	Total	Common	Preferred	Total
Brazilian residents	33,546,259	32,004,313	65,550,572	2,734,410	3,993,767	6,728,177
Foreign residents	179,295,473	154,198,072	333,493,545	171,558,006	147,472,100	319,030,106
Total shares	**212,841,732**	**186,202,385**	**399,044,117**	**174,292,416**	**147,472,100**	**325,758,283**
Total in thousands of reais	**33,396,165**	**29,216,290**	**62,612,455**	**25,228,125**	**151,465,867**	**47,152,201**

On October 13 2009 as a result of the Global Share Offering the capital of Banco Santander was increased by 525 000.000 Units (totaling 55 125 000 thousand shares out of which 28,875,000 thousand are common shares and 26,250,000 thousand are preferred shares), each Unit represents 55 common shares and 50 preferred shares, all registered shares, without par value. On October 29, 2009 the number of shares initially offered in the Global Share Offering was increased by 6.85%, i.e., 35,955,648, (3,775,343 thousand shares, of which 1,977,561 thousand are ordinary shares and 1,797,782 thousand are preferred shares). The capital increase totaled R$ 12,988,842 net of issuances costs of R$ 193,616.

The Extraordinary Shareholders' Meeting held on August 14, 2009 approved the capital increase of Banco Santander in the amount of R$2,471,413, with the issuance of 14,410,886 thousand shares (7,710,343 thousand are common shares and 6,700,543 thousand are preferred share) ,all of them registered and without par value, related to the share merger of Santander Seguros, Santander Brasil Asset and BCIS.

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 thousand shares, (101,282,490 thousand are common shares and 88,017,837 thousand are preferred shared), without par value, related to the merger of shares of Banco Real and AAB Dois Par.

At the meeting held on July 25, 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.

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.

Dividend payments have been prepared and will continue to be prepared in accordance with Brazilian Corporate Law.

Before the annual shareholders meeting, the Board of Directors may determine the payment of interim dividends out of earnings based on (i) semiannual balance sheets or earning reserves; or (ii) balance sheets issued on shorter periods, in which case the distribution of dividends shall not exceed the amount of capital reserves. These interim payments are offset against the annual mandatory dividend.

	2009			
		Reais per Thousand Shares / Units		
	Thousands of Reais (5)	Common	Preferred	Units
Interest on capital based on interim net income for the period of December 31, 2009(1)	340,000	0,9974	1,0972	n.a.
Interest on capital based on interim net income for the period of December 31, 2009(2)	285,000	0,8361	0,9197	n.a.
Intermediate Dividends for the period of December 31, 2009(3)	327,400	0,7839	0,8623	86,2271
Intercalary Dividends for the period of December 31, 2009(3)	422,600	1,0118	1,1130	111,2999
Interest on capital based on interim net income for the period of December 31, 2009(3) (4)	200,000	0,4789	0,5267	52,6738
Total in December 31, 2009	**1,575,000**			

(1) Established by Board of Directors in April 2009. Common shares -R$0.8478 and Preferred shares -R$0.9326, net of taxes.
(2) Established by Board of Directors in June 2009. Common shares -R$0.7107 and Preferred shares -R$0.7817, net of taxes.
(3) Established by Board of Directors in December 2009.
(4) Common shares -R$0.4070 and Preferred shares -R$0.4477, net of taxes, and Units R$44,7728.
(5) The amount related to the intermediate dividends, intercalary dividends and interest on capital are fully input into the mandatory dividends, which will be paid on February 22, 2010, without any additional amount for monetary for monetary correction.

	2008			
		Reais per Thousand Shares / Units		
	Thousands of Reais	Common	Preferred	Units
Interest on capital based on interim net income for the period of December 31, 2008(1)	752,807	2,2084	2,4293	n.a.
Interest on capital based on interim net income for the period of December 31, 2008(1)	217,193	0,6372	0,7009	n.a.
Dividends from constituted reserves for the period of December 31, 2008 (1)	3,045	0,0089	0,0098	n.a.
Interest on capital based on interim net income for from December, 2008 (1) (2)	480,000	1,4081	1,5489	n.a.
Total in December 31, 2008	**1,453,045**			

(1) Established by Board of Directors in December 2008.
(2) Common shares -R$1.1969 and Preferred shares -R$1.3166, net of taxes.

c) Reserves

The reserves are allocated as follows after the deductions and statutory provisions, from the net income:

Legal reserve

In accordance with BR GAAP, 5% (five percent) in transferred to the legal reserve, until it reaches 20% (twenty percent) of the share capitalThis reserve is designed to ensure. In accordance with BR GAAP, 5% (five percent) in transferred to the legal reserve, until it reaches 20% (twenty percent) of the share capital This reserve is designed to ensure the integrity of the capital and can only be used to offset losses or increase capital.

Capital reserve

In accordance with BR GAAP, the capital reserve is comprised for: (1) share premium paid by investors in the subscription of shares which exceeds the par value (not applicable to us), or part of the issue price of the shares without par value which exceed the amount destinated to the composition of the capital, and (2) product from the disposal of beneficiary party (not applicable to us) and subscription bonds. The capital reserve can only be used for: (1) loss absorption which exceed the retained earnings and profit reserves, (2) redemption, repayment or purchase of treasury shares, (3) redemption of beneficiary party (not applicable to the Bank), (4) incorporation of capital, or (5) payment of dividends to preferred shares in certain circumstances.

Reserve for equalization dividend

After the destination of dividends, the remaining balance if any, may, upon proposal of the Executive Board and approved by the Board of Directors, be destinated to constitute a reserve for equalization of dividends, which is limited to 50% of the Capital. This reserve aims to ensure funds for the payment of dividends, including the form of Interest on Capital, or any interim payment to maintain the flow of shareholders remuneration.

d) Treasury shares

On February, 2009 the Bank acquired 25,395 thousands own shares for the amount R$1,948. The Extraordinary shareholders' Meeting held on August, 2009 decided the cancellation of shares of its own issuance held in treasury, without reducing capital, through the absorption of R$ 1,948 of the Capital Reserves account.

27. 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:

	Thousands of Reais	
	2009	**2008**
Adjusted Tier I Regulatory Capital	42,357,612	23,033,013
Tier II Regulatory Capital	9,972,644	8,504,338
Adjusted Regulatory Capital (Tier I and II)	**52,330,256**	**31,537,351**
Required Regulatory Capital	**22,483,494**	**23,527,735**
Adjusted Portion of Credit Risk	20,607,792	22,324,423
Market Risk Portions	844,882	916,186
Operational Risk Portion	1,030,820	287,126
Basel II Ratio (*)	**25.6%**	**14.7%**

(*) Calculated according to BACEN requirements, not considering goodwill effect.

Financial institutions are required to maintain investments in permanent assets compatible with adjusted regulatory capital. Funds invested in permanent assets, calculated on a consolidated basis, are limited to 50% of regulatory capital, as per prevailing regulation. On December 31, 2008, 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 and as required by prevailing regulation, a regularization plan was prepared so that said limit is met, which was approved by the regulatory agency (Bacen). On December 31, 2009, Santander qualifies for this ratio.

28. Guarantees

The Bank provides a variety of guarantees to its customers to improve their credit standing and allow them to compete. The following table summarizes at December 31, 2009 and 2008 all of the guarantees.

As required, the "maximum potential amount of future payments" represents the notional amounts that could be lost if there were a total default by the guaranteed parties, without consideration of possible recoveries from collateral held or pledged, or recoveries under recourse provisions. There is no relationship between these amounts and probable losses on these guarantees. In fact, maximum potential amount of future payments significantly exceeds inherent losses. Financial guarantees are provided to our

	Bank	
	Thousands of Reais	
	2009	2008
Maximum potential amount of future payments		
Contingent liabilities		
Guarantees and other sureties		
Financial guarantees	17,379,109	20,804,663
Performance guarantees	695,099	745,792
Financial standby letters of credit	2,189,135	3,019,320
Other	243,406	195,239
Other contingent exposures	460,621	640,296
Documentary Credits	460,621	640,296
Total Contingent Liabilities	**20,967,370**	**25,405,310**
Commitments		
Loan commitments drawable by third parties	77,789,371	68,777,962
Other commitments	3,437,417	9,614,810
Securities placement commitments	3,437,417	9,614,810
Total Commitments	**81,226,788**	**78,392,772**
Total	**102,194,158**	**103,798,082**

clients in obligations with third parties. We have the right to seek reimbursement from our clients for any amount we shall have to pay under such guarantee. Additionally, we may hold cash or other highly liquid collateral for these obligations. These agreements are subject to the same credit evaluation performed on the execution of loans.

We expect many of these guarantees to expire without the need to advance any cash. Therefore, in the ordinary course of business, we expect that these transactions will have virtually no impact on our liquidity.

Performance guarantees are issued to guarantee customers obligations such as to make contractually specified investments, to supply specified products, commodities, or maintenance or warranty services to a third party, completion of projects in accordance with contract terms, etc. Financial standby letters of credit include guarantees of payment of loans, credit facilities, promissory notes and trade acceptances. The Bank always requires collateral to grant this kind of financial guarantees. In Documentary Credits, the Bank acts as a payment mediator between trading companies located in different countries (import-export transactions). Under a documentary credit transaction, the parties involved deal with the documents rather than the commodities to which the documents may relate. Usually the traded commodities are used as collateral to the transaction and the Bank may provide some credit facilities. Loan commitments drawable by third parties include mostly credit card lines and commercial commitments. Credit card lines are unconditionally cancelable by the issuer. Commercial commitments are mostly 1 year facilities subject to information requirements to be provided by our customers.

The risk criteria followed to issue all kinds of guarantees, financial standby letters of credit, documentary credits and any risks of signature are in general the same as those used for other products of credit risk, and therefore subject to the same admission and tracking standards. The guarantees granted on behalf of our customers are subject to the same credit quality review process as any other risk product. On a regular basis, at least once a year, the solvency of the mentioned customers is checked as well as the probability of those guarantees to be executed. In case that any doubt on the customer's solvency may arise we create allowances with charge to net income, by the amount of the inherent losses even if there is no claim to us.

Additionally, the liability recognized as deferred revenue for the premium received for providing the above guarantees, which is being amortized into income over the life of the related guarantees is R$65,041 thousands (2008, R$58,520).

29. Interest and similar income

"Interest and similar income" in the consolidated income statement comprises the interest accruing in the year on all financial assets with an implicit or explicit return, calculated by applying the effective interest method, irrespective of measurement at fair value; and the rectifications of income as a result of hedge accounting. Interest is recognized gross, without deducting any tax withheld at source.

The breakdown of the main interest and similar income items earned in 2009, 2008 and 2007 is as follows:

			Thousands of Reais
	2009	**2008**	**2007**
Balances with the Brazilian Central Bank	1,666,931	2,270,494	1,893,765
Loans and advances to credit institutions	2,901,054	1,818,645	701,693
Debt instruments	5,201,840	3,327,287	2,165,840
Loans and advances to customers	29,469,976	16,296,436	8,047,359
Other interest	103,155	54,952	388,711
	39,342,956	**23,767,814**	**13,197,368**

30. Interest expense and similar charges

"Interest expense and similar charges" in the consolidated income statement includes the interest accruing in the year on all financial liabilities with an implicit or explicit return, including remuneration in kind, calculated by applying the effective interest method, irrespective of measurement at fair value; the rectifications of cost as a result of hedge accounting; and the interest cost attributable to pension funds.

The breakdown of the main items of interest expense and similar charges accrued in 2009, 2008 and 2007 is as follows:

			Thousands of Reais
	2009	**2008**	**2007**
Deposits from the Brazilian Central Bank	29,340	467	-
Deposits from credit institutions	1,179,130	1,630,639	1,362,276
Customer deposits	13,164,015	9,145,873	4,709,093
Marketable debt securities and subordinated liabilities			
Marketable debt securities (note 18)	1,047,750	548,834	276,493
Subordinated liabilities	1,076,557	690,014	451,828
Pensions (note 21)	100,567	91,437	112,619
Other interest	578,506	222,581	89,773
	17,175,865	**12,329,845**	**7,002,082**

31. Income from equity instruments

"Income from equity instruments" includes the dividends and payments on equity instruments out of profits generated by investees after the acquisition of the equity interest.

The breakdown of the balance of this item is as follows:

			Thousands of Reais
	2009	2008	2007
Equity instruments classified as:			
Financial assets held for trading	**6,714**	**7,627**	**16,089**
Of which:			
Petroquímica União S.A.	523	2,654	5,256
Petróleo Brasileiro S.A.	2,349	261	725
Cia Vale do Rio Doce	1,108	1,473	143
Available-for-sale financial assets	**23,189**	**29,345**	**20,298**
Of which:			
Bovespa Holding S.A.	4,192	11,760	-
SERASA S.A	8,811	3,721	8,273
BMF Bovespa S.A.	6,522	-	-
	29,903	**36,972**	**36,387**

32. Fee and commission income

"Fee and commission income" comprises the amount of all fees and commissions accruing in favor of the Bank in the year, except those that form an integral part of the effective interest rate on financial instruments.

The breakdown of the balance of this item is as follows:

	Thousands of Reais		
	2009	**2008**	**2007**
Collection and payment services:			
Bills	378,519	218,979	127,514
Demand accounts	1,570,356	449,385	424,829
Cards	1,056,791	601,782	332,086
Checks and other	800,784	983,773	742,852
Orders	251,790	134,713	82,328
	4,058,241	**2,388,632**	**1,709,609**
Marketing of non-banking financial products:			
Investment funds	851,766	700,233	620,278
Insurance	794,234	643,810	428,216
Capitalization	136,144	102,185	17,902
	1,782,144	**1,446,228**	**1,066,396**
Securities services:			
Securities underwriting and placement	252,236	110,653	90,691
Securities trading	148,244	147,307	139,751
Administration and custody	129,241	64,232	22,580
Asset management	1,960	2,968	3,191
	531,681	**325,160**	**256,213**
Other:			
Foreign exchange	314,720	100,129	70,484
Financial guarantees	219,549	146,625	73,800
Other fees and commissions	241,829	402,240	187,016
	776,098	**648,994**	**331,300**
	7,148,164	**4,809,014**	**3,363,518**

33. Fee and commission expense

"Fee and commission expense" shows the amount of all fees and commissions paid or payable by the Bank in the year, except those that form an integral part of the effective interest rate on financial instruments.

The breakdown of the balance of this item is as follows:

			Thousands of Reais
	2009	**2008**	**2007**
Fees and commissions assigned to third parties	485,182	351,471	129,617
Of which:			
Credit cards	349,874	243,946	52,643
Other fees and commissions	425,220	203,840	135,929
	910,402	**555,311**	**265,546**

34. Gains/losses on financial assets and liabilities

"Gains/losses on financial assets and liabilities" includes the amount of the valuation adjustments of financial instruments, except those attributable to interest accrued as a result of application of the effective interest method and to allowances, and the gains or losses obtained from the sale and purchase thereof.

a) Breakdown

The breakdown of the balance of this item, by type of instrument, is as follows:

			Thousands of Reais
	2009	**2008**	**2007**
Held for trading (1)	2,032,272	(1,214,846)	254,128
Other financial instruments at fair value through profit or loss (2)	(10,132)	39,956	24,873
Financial instruments not measured at fair value through profit or loss	755,916	320,307	1,236,856
Of which: Available-for-sale financial assets			
Debt instruments	122,886	(15,476)	672,863
Equity instruments	559,080	260,855	547,343
Hedging derivatives and other	61,733)	(431,530)	807
	2,716,323	**(1,286,113)**	**1,516,664**

(1) In 2009 and 2008, includes the net loss and net gain, respectively, arising from the economic hedge of the Bank's position in Cayman, which is a non-autonomous subsidiary. See note 23 for the income tax impact of such hedge.
(2) Includes the net gain arising from transactions involving debt securities, equity instruments and derivatives included in this portfolio, since the Bank manages its risk in these instruments on a global basis.

b) Financial assets and liabilities at fair value through profit or loss

The detail of the amount of the asset balances is as follows:

	Thousands of Reais	
	2009	**2008**
Loans and advances to credit institutions	1,974,435	4,046,898
Loans and advances to customers	389,113	1,434,789
Debt instruments	12,765,008	10,105,273
Other equity instruments	16,331,550	678,993
Derivatives	4,950,006	9,295,008
	36,410,112	**25,560,961**

The detail of the amount of the liability balances is as follows:

	Thousands of Reais	
	2009	**2008**
Deposits from credit institutions	1,795	307,376
Trading derivatives	4,401,709	11,197,268
Short positions	33,025	12,332
	4,436,529	**11,516,976**

35. Exchange differences

"Exchange differences" shows basically the gains or losses on currency dealings, the differences that arise on translations of monetary items in foreign currencies to the functional currency, and those disclosed on non-monetary assets in foreign currency at the time of their disposal.

36. Other operating income and other operating expenses

These items in the consolidated income statement include:

			Thousands of Reais
	2009	**2008**	**2007**
Revenues from insurance contracts [1]	232,976	-	-
Other operating income	189,067	379,102	631,188
Other operating expense	(355,776)	(333,831)	(448,610)
Contributions to fund guarantee of credit	(181,891)	(105,088)	(49,654)
	(115,624)	**(59,817)**	**132,924**

(1) In 2009, includes the Income from insurance related to the merger of shares of Santander Seguros as mentioned in Note 3 b.

37. Personnel expenses

a) Breakdown

The breakdown of "Personnel expenses" is as follows:

			Thousands of Reais
	2009	**2008**	**2007**
Wages and salaries	3,363,877	2,253,313	1,483,211
Social security costs	971,245	569,136	354,220
Defined benefit pension plans (note 21)	36,534	45,060	38,477
Contributions to defined contribution pension funds	49,976	33,166	3,919
Share-based payment costs [1]	19,990	19,647	87,603
Benefits	749,366	423,218	294,158
Other personnel expenses	319,984	204,622	122,679
	5,510,972	**3,548,162**	**2,384,267**

(1) In 2007, the amount includes R$ 77,292 thousands related to the distribution of 100 shares to each employee that is a part of Grupo Santander (Spain), as part of the celebration of its 150 years, as approved in the Stockholders' Meeting in June 2007.

b) Share-based payments

Banco Santander Spain and Santander Brasil, likewise other companies controlled by Santander Spain Group, have remuneration programs tied to the performance of the stock market price of the its shares, based on the achievement of certain targets indicated below:

	Number of Shares	Exercise Price in Euros	Concession Year	Employees	Data of Commencement of Exercise Period	Data of Expiry of Exercise Period
Plans Outstanding at January 1 2007	**6,032,700**					
Options Granted (Plan I09)	834,332	-	2007	Managers	23/6/2007	31/7/2009
Options Granted (Plan I19)	1,243,355	-	2007	Managers	23/6/2007	31/7/2010
Options Cancelled, net (Plan I06)	(113,700)	9.09	-	Managers	15/1/2008	15/1/2009
Plans Outstanding at 31 December 2007	**7,996,687**					
Options Exercised (Plan I06)	(4,657,550)	9.09	-	Managers		
Options Granted (Plan I10)	-	-	2008	Managers		
Options Granted (Plan I11)	2,311,231	-	2008	Managers		
Plans Outstanding at 31 December 2008	**5,650,368**					
Options Cancelled (Plan I06)	(1,261,450)	9.09	2006	Managers	15/1/2008	15/1/2009
Exercised Options (Plan I09)	(681,767)	-	2007	Managers	23/6/2007	31/7/2009
Cancelled Options (Plan I09)	(152,565)	-	2007	Managers	23/6/2007	31/7/2010
Options Granted (Plan I12)	455,008	-	2008	Managers	21/6/2008	31/7/2011
Plans Outstanding at 31 December 2009	**4,009,594**					
Plan I10	1,243,355	-	2007	Managers	27/6/2007	31/7/2010
Plan I11	2,311,231	-	2008	Managers	15/1/2008	31/7/2011
Plan I12	455,008	-	2009	Managers	1/7/2009	31/7/2012

Due to the remuneration programs, daily pro rata expenses were recorded in the amount of R$19,893 (2008 -R$19,646), referring to initial costs in respective granting dates for each cycle above mentioned.

Plan I06

In 2004, Santander Spain 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.

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 Santander (except Banesto). This policy provides for compensation tied to the performance of the stock of Santander Spain, as established in the Annual Stockholders' Meeting.

The plans shaping the aforementioned incentive policy are as follows: (i) Performance Share Plan; and (ii) Selective Delivery Share Plan and (iii) Minimum Investment Program.

(i) Performance share plan

This multiannual incentive plan is payable in shares of Santander Spain. The beneficiaries of the plan are the executive directors and other members of senior management, together with any other Bank executives determined by the board of directors or, when delegated by it, the executive committee.

This plan involves three-year cycles for the delivery of shares to the beneficiaries. Accordingly, the first cycle lasts for two years (Plan I09) and the other cycles last for approximately three years each.

For each cycle a maximum number of shares is established for each beneficiary who remains in the Bank's employ for the duration of the plan. The targets, which, if met, will determine the number of shares to be delivered, are defined by comparing the Bank's performance with that of a benchmark group of financial institutions and are linked to two parameters, namely Total Shareholder Return (TSR) and growth in Earnings per Share (EPS).

The ultimate number of shares to be delivered will be determined in each of the cycles by the degree of achievement of the targets on the third anniversary of commencement of each cycle (with the exception of the first cycle, for which the second anniversary will be considered), and the shares will be delivered within a maximum period of seven months from the end of the cycle.

At the end of each cycle, the TSR and the EPS growth will be calculated for Santander and each of the benchmark entities and the results will be ranked from first to last. Each of the two criteria (TSR and EPS growth) will be weighted at 50% in the calculation of the percentage of shares to be delivered, based on the following scale and in accordance with Santander Spain relative position among the group of benchmark financial institutions:

Santander's Place in the TSR Ranking	Percentage of Maximum Shares to Be Delivered	Santander's Place in the EPS Growth Ranking	Percentage of Maximum Shares to Be Delivered
1st a 6th	50%	1st a 6th	50%
7th	43%	7th	43%
8th	36%	8th	36%
9th	29%	9th	29%
10th	22%	10th	22%
11th	15%	11th	15%
12th and below	0%	12th and below	0%

Any benchmark group entity that is acquired by another company, whose shares cease trading or that ceases to exist will be excluded from the benchmark group. In an event of this or any similar nature, the comparison with the benchmark group will be performed in such a way that, for each of the measures considered (TSR and EPS growth) the maximum percentage of shares will be delivered if Santander Spain ranks within the first quartile (including the 25th percentile) of the benchmark group; no shares will be delivered if Santander Spain ranks below the median (50th percentile); 30% of the maximum amount of shares will be delivered if Santander Spain is placed at the median (50th percentile). The linear interpolation method will be used for calculating the corresponding percentage for positions between the median and the first quartile (25th percentile) (neither included).

(ii) Selective delivery share plan

This plan envisages the selective delivery of shares in special circumstances relating to the hiring or retention of employees. All employees and executives, except for the Bank's executive directors, are eligible for this plan, provided that they have completed a minimum of three to four years of service at the Bank. Each participant will be entitled to receive the shares upon completion of the minimum period of service.

(iii) Fair value

The fair value of each option granted by the Bank is calculated at the grant date. In order to value Plan I06 two valuation reports were performed by two multinational investment banks. These banks used the Black-Scholes equity option pricing model considering the following parameters: the expected life of the options, interest rates, volatility, exercise price, market price and dividends of Santander Spain shares and the shares of comparable banks. The fair value of the options granted was determined by management based on the average value resulting from the two valuations.

With the exception of the share option plans which include terms relating to market conditions, the transfer terms included in the vesting conditions are not taken into account to estimate fair value. The transfer terms that are not based on market conditions are taken into account by adjusting the number of shares or share options included in the measurement of the service cost of the employee so that, ultimately the amount recognized in the consolidated income statement is based on the number of shares or share options transferred. When the transfer terms are related to market conditions, the charge for the services received is recognized regardless of whether the market conditions for the transfer are met, although the non-market transfer terms must be satisfied. The share price volatility is based on the implicit volatility scale for Santander Spain shares at the exercise prices and the duration corresponding to most of the sensitivities.

The fair value of the Performance Share Plans was calculated as follows:

- It was assumed that the beneficiaries will not leave the Bank's employ during the term of each plan.
- The fair value of the 50% linked to the Bank's relative TSR position was calculated, on the grant date, on the basis of the report provided by external valuators whose assessment was carried out using a Monte Carlo valuation model, performing 10,000 simulations to determine the TSR of each of the companies in the Benchmark Group, taking into account the variables set forth below. The results (each of which represents the delivery of a number of shares) are classified in decreasing order by calculating the weighted average and discounting the amount at the risk-free interest rate.

	PI09	PI10	PI11	PI12
Expected volatility (*)	16.25%	15.67%	19.31%	42.36%
Annual dividend yield based on last few years	3.23%	3.24%	3.47%	4.88%
Risk-free interest rate (Treasury Bond yield –zero coupon) over the period of the plan	4.47%	4.50%	4.84%	2.04%

*Calculated on the basis of historical volatility over the corresponding period (two or three years)

The application of the simulation model results in percentage values of 42.7% for PI09, 42.3% for PI10, 44.9% for PI11 and 52.42% for PI12, which are applied to 50% of the value of the options granted, in order to determine the cost per books of the TSR-based portion of the incentive. Since this valuation refers to a market condition, it cannot be adjusted after the grant date.

In view of the high correlation between TSR and EPS, it was considered feasible to extrapolate that (in a high percentage of cases) the TSR value is also valid for EPS. Therefore, it was initially determined that the fair value of the portion of the plans linked to the Bank's relative EPS position, i.e. of the remaining 50% of the options granted, was the same as that of the 50% corresponding to the TSR. Since this valuation refers to a non-market condition, it is reviewed and adjusted on a yearly basis.

c) Employee Benefit Plans

Employee Benefit Plans -The Board of Directors Meeting held on December 23, 2009, aproved and decided to submit to approval in the Extraordinary Shareholders Meeting to be held on February 3, 2010: (i) the Purchase Option Plan for Certificate of Depositary Shares ("Units"), to certain managers and managerial employees of the Bank and subsidiaries thereby, as per article 5, paragraph 4 of the Bank's By-laws; and (ii) the Long-Term Incentive Plan -Investment in Units, the purpose of which is the payment of resources, in cash, by the Bank to certain collaborators, including managers, managerial employees and other employees of the Bank and subsidiaries thereby.

38. Other general administrative expenses

a) Breakdown

The breakdown of the balance of this item is as follows:

	Thousands of Reais		
	2009	**2008**	**2007**
Property, fixtures and supplies	1,043,498	552,538	363,463
Other administrative expenses	1,307,802	841,948	509,650
Technology and systems	897,581	636,739	197,445
Advertising	497,246	404,052	274,908
Communications	612,904	457,675	251,397
Technical reports	377,331	293,122	173,404
Per diems and travel expenses	167,954	114,150	73,505
Taxes other than income tax	54,208	55,365	66,891
Surveillance and cash courier services	468,833	275,423	160,559
Insurance premiums	8,888	5,763	4,728
	5,436,245	**3,636,775**	**2,075,950**

b) Other information

The balance of "Technical reports" includes the fees paid by the consolidated companies (detailed in the accompanying Appendix I) to their respective auditors, the detail being as follows:

	Thousands of Reais		
	2009	**2008**	**2007**
Audit of the annual financial statements of the companies audited by Deloitte (constant scope of consolidation)	6,180	6,109	3,759
Audit of the annual financial statements of the companies audited by Deloitte (additions to scope of consolidation)	373	172	-

Additionally to the expenses with audit of the financial statements, the Bank had an fee paid to Deloitte in 2009 related to the audit of the Global Offering in the amount of R$8.8 million, after taxes and was recorded as transaction cost net of capital increase.

Services provided by others audit firms totaled R$2.5 million (2008 -R$3.0 million and 2007 -R$3.5 million).

39. Gains/ (losses) on disposal of assets not classified as non-current assets held for sale

The breakdown of the balance of this item is as follows:

			Thousands of Reais
	2009	2008	2007
Gains	**3,377,953**	**19,701**	**12,759**
On disposal of tangible assets	36,161	13,162	12,759
On disposal of investments [(1)]	3,341,792	6,539	-
Losses	**(8,652)**	**(13,090)**	**(11,898)**
On disposal of tangible assets	(8,652)	(13,090)	(11,898)
Net gains	**3,369,301**	**6,611**	**861**

[1]In 2009, the Bank made a disposal of investment of Companhia Brasileira de Meios de Pagamentos -(VisaNet), Tecban -Tecnologia Banc‡ria S.A. and Companhia Brasileira de Solu ›es e Servi os -CBSS accounting a net gain of R$3,315 million.

40. Gains/ (losses) on non-current assets held for sale not classified as discontinued operations

The breakdown of the net balance of this item is as follows:

			Thousands of Reais
	2009	2008	2007
On disposal of tangible assets	167,585	49,859	-
On impairment of tangible assets	(135,955)	(40,640)	13,470
Net gains	**31,630**	**9,219**	**13,470**

41. Other disclosures

a) Notional amounts and market values of trading and hedging derivatives

The breakdown of the notional and/or contractual amounts and the market values of the trading and hedging derivatives held by the Bank is as follows:

				Thousands of Reais
		2009		2008
	Notional Amount	Market Value	Notional Amount	Market Value
Trading derivatives				
Interest rate risk and other:				
Interest rate swaps	50,761,630	12,646,099	55,901,265	15,868,331
Options -purchase and sales	181,501,740	33,762	154,139,645	(175,456)
Forward and futures contracts	32,263,081	-	43,271,519	7,788
Foreign currency risk:				
Currency swaps (1)	40,616,308	(11,648,297)	5 6,333,178	(17,867,750)
Options -purchase and sales	28,983,489	(333,259)	58,473,829	(1,559,102)
Forward and futures contracts	22,063,175	(150,008)	48,517,742	1,823,929
	356,189,423	**548,297**	**416,637,178**	**(1,902,260)**
Hedging derivatives				
Interest rate risk:				
Futures contracts (2)	15,294,094	-	1 8,055,336	-
Interest rate swaps	1,249,645	153,619	1,701,594	(158,450)
	16,543,739	**153,619**	**19,756,930**	**(158,450)**
Total	**372,733,162**	**701,916**	**436,394,108**	**(2,060,710)**

(1) Includes credit derivatives, which the Bank uses to reduce or eliminate its exposure to specific risks arising from the purchase or sale of assets associated with the credit portfolio management. In 2009, the volume of credit derivatives with total return rate – credit risk received corresponds to R$655,126 thousands of cost (2008, R$697,606) and R$527,532 thousands of fair value (2008, R$696,162). In 2008 the credit risk volume transferred corresponds to R$94,852 thousands of cost and R$99,785 thousands 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 R$7,498 thousands (2008, R$3,805).

(2) The mark-to-market effect of these cash flow hedges, with maturity that varies from January 4, 2010 to January 2, 2012, is recorded directly in equity, and at December 31, 2009 corresponded to a debit of R$262,295 (2008, R$85,917), net of taxes. The fair value of Certificate of Deposits designated as a hedged item was R$15,337,856 at December 31, 2009 (2008, R$18,308,306). No ineffective portion of such hedges, which would require recording in income, was identified during the period. Futures-DI transactions designated as hedge instrument have daily adjustments and are recorded in assets or liabilities and settle in cash daily.

The breakdown of the notional and/or contractual amounts of trading derivative by maturity is as follows:

	Thousands of Reais				
				2009	2008
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Swap	30,256,852	15,792,470	45,328,616	91,377,938	112,234,443
Options	97,356,867	61,770,883	51,357,479	210,485,229	212,613,474
Forward and futures contracts	27,901,875	13,222,330	13,202,051	54,326,256	91,789,261
	155,515,594	**90,785,683**	**109,888,146**	**356,189,423**	**416,637,178**

The notional and/or contractual amounts of the contracts entered into do not reflect the actual risk assumed by the Bank, since the net position in these financial instruments is the result of offsetting and/or combining them. This net position is used by the Bank basically to hedge the interest rate, underlying asset price or foreign currency risk; the results on these financial instruments are recognized under "Gains/losses on financial assets and liabilities (net)" in the consolidated income statements and increase or offset, as appropriate, the gains or losses on the investments hedged.

Additionally, in order to interpret correctly the results on the "Securities and Commodities Derivatives" shown in the foregoing table, it should be considered that these items relate mostly to securities options for which a premium has been received which offsets their negative market value. Also, this market value is offset by positive market values generated by symmetrical positions in the Bank's held-for-trading portfolio.

The Bank manages the credit risk exposure of these contracts through netting arrangements with its main counterparties and by receiving assets as collateral for its risk positions.

The detail of the cumulative credit risk exposure, by financial derivative, is as follows:

	Thousands of Reais	
	2009	2008
Securities derivatives	162,588	95,670
Currency derivatives	91,662,972	163,324,749
Interest rate derivatives	280,907,602	272,973,689
Total	**372,733,162**	**436,394,108**

b) Off-balance-sheet funds under management

The detail of off-balance-sheet funds managed by the Bank is as follows:

	Thousands of Reais	
	2009	2008
Investment funds	95,324,100	76,777,598
Assets under management	3,083,043	3,624,448
	98,407,143	**80,402,046**

c) Third-party securities held in custody

At December 31, 2009, the Bank held in custody debt securities and equity instruments totaling R$94,949,464 thousand (2008 -R$80,454,575 thousand) entrusted to it by third parties.

d) Residual maturity periods and Average interest rates

The breakdown, by maturity, of the balances of certain items in the consolidated balance sheets is as follows:

	December 31, 2009							
	Thousands of Reais							
	On Demand	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	After 5 Years	Total	Average Interest Rate
Assets:								
Cash and balances with the Brazilian Central Bank	12,169,277	6,828,836	8,270,899	-	-	-	27,269,012	8.9%
Debt instruments	-	14,279,921	1,784,616	13,049,117	20,751,920	7,645,358	57,510,932	10.8%
Equity instruments	17,991,746	-	-	-	-	-	17,991,746	
Loans and receivables:								
Loans and advances to credit institutions	3,246,260	8 ,375,243	4,313,669	1,308,300	2,477,758	6,481,348	26,202,578	9.2%
Loans and advances to customer, gross	6,716,360	25,651,927	41,119,405	47,045,584	12,505,072	5,356,055	138,394,403	23.8%
	40,123,643	**55,135,927**	**55,488,589**	**61,403,001**	**35,734,750**	**19,482,761**	**267,368,671**	**16.4%**
Liabilities:								
Financial liabilities at amortised cost:	-	176,432	63,681	-	-	-	240,113	3.1%
Deposits from the Brazilian Central Bank	189,858	176,432	7,373,626	7 ,486,135	742,446	104,765	20,957,641	8.5%
Deposits from credit institutions	40,358,100	5,060,811	30,639,047	40,770,381	4,032,168	5,530	149,440,156	8.8%
Customer deposits	-	3,242,520	4,882,803	936,678	1,532,956	844,053	11,439,010	7.9%
Marketable debt securities								
Subordinated liabilities	-	2,104	-	-	4,330,919	6,971,422	11,304,445	9.6%
Other financial liabilities	3,650,259	6,340,210	(33,470)	249,391	(18,226)	-	10,188,164	-
	44,198,217	**48,457,007**	**42,925,687**	**49,442,585**	**10,620,263**	**7,925,770**	**203,569,529**	**8.8%**

	On Demand	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	After 5 Years	Total	Average Interest Rate
							December 31, 2008	
							Thousands of Reais	
Assets:								
Cash and balances with the Brazilian Central Bank	10,180,498	11,570,645	1,949,357	-	-	-	23,700,500	9.7%
Debt instruments	-	5,067,650	4,254,433	14,092,854	10,826,959	5,354,568	39,596,464	14.9%
Equity instruments	1,923,483	-	-	-	-	-	1,923,483	
Loans and receivables:								
Loans and advances to credit institutions	2,341,914	16,054,833	6,009,372	3,023,897	212,747	6,095,770	33,738,533	9.9%
Loans and advances to customer, gross	8,050,623	37,176,761	41,720,532	3 2,897,225	15,903,692	6,900,583	142,649,416	25.4%
	22,496,518	**69,869,889**	**53,933,694**	**50,013,976**	**26,943,398**	**18,350,921**	**241,608,396**	**19.8%**
Liabilities:								
Financial liabilities at amortised cost:	-	-	184,583	-	-	-	184,583	6.2%
Deposits from the Brazilian Central Bank	1,188,957	3,652,291	12,815,453	5,639,095	2,387,885	641,955	26,325,636	8.5%
Deposits from credit institutions	36,374,095	38,129,028	25,625,227	35,907,327	18,618,151	841,011	155,494,839	12.4%
Customer deposits	-	3,948,416	3,796,188	2,346,840	1,273,523	720,688	12,085,655	9.0%
Marketable debt securities								
Subordinated liabilities	-	6,431	103,865	-	2,407,277	6,679,856	9,197,429	13.8%
Other financial liabilities	1,997,660	4,376,111	4,338,811	(45,998)	18,588	-	10,685,172	-
	39,560,712	**50,112,277**	**46,864,127**	**43,847,264**	**24,705,424**	**8,883,510**	**213,973,314**	**11.2%**
Difference (assets less liabilities)	**(17,064,194)**	**19,757,612**	**7,069,567**	**6,166,712**	**2,237,974**	**9,467,411**	**27,635,082**	

e) Equivalent reais value of assets and liabilities

The detail of the main foreign currency balances in the consolidated balance sheet, based on the nature of the related items, is as follows:

	Equivalent Value in Thousands of Reais			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Cash and balances with the Brazilian Central Bank	2,069,530	-	1,870,340	-
Financial assets/liabilities held for trading	1,981,386	1,048,742	401,283	1,091,874
Available-for-sale financial assets	713,042	-	115,480	-
Loans and receivables	15,092,956	-	13,568,903	-
Financial liabilities at amortized cost	-	17,469,224	-	31,464,106
	19,856,914	**18,517,966**	**15,956,006**	**32,555,980**

f) Fair value of financial assets and liabilities not measured at fair value

The financial assets owned by the Bank are measured at fair value in the accompanying consolidated balance sheet, except for loans and receivables.

Similarly, the Bank's financial liabilities -except for financial liabilities held for trading and those measured at fair value -are measured at amortized cost in the consolidated balance sheet.

i) Financial assets measured at other than fair value

Following is a comparison of the carrying amounts of the Bank's financial assets measured at other than fair value and their respective fair values at year-end:

	Thousands of Reais			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Loans and receivables:				
Loans and advances to credit institutions (note 5)	24,228,143	24,228,143	29,691,635	30,374,956
Loans and advances to customers (note 9)	127,934,811	128,065,076	133,033,471	127,044,873
	152,162,954	**152,293,219**	**162,725,106**	**157,419,829**

ii) Financial liabilities measured at other than fair value

Following is a comparison of the carrying amounts of the Bank's financial liabilities measured at other than fair value and their respective fair values at year-end:

				Thousands of Reais
		2009		2008
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities				
Financial liabilities at amortized cost:				
Deposits from the Brazilian Central Bank (note 16)	240,113	240,113	184,583	184,583
Deposits from credit institutions (note 16)	20,955,846	20,955,846	26,325,636	26,187,014
Customer deposits (note 17)[(*)]	149,440,156	149,448,949	155,494,839	155,173,062
Marketable debt securities (note 18)	11,439,010	11,435,722	12,085,655	12,009,351
Subordinated liabilities (note 19)	11,304,445	11,304,445	9,197,429	9,161,607
Other financial liabilities (note 20)	10,188,164	10,188,164	10,685,172	10,832,240
	203,567,734	**203,573,239**	**213,973,314**	**213,547,857**

The methods and assumptions to estimate the fair value are defined below:

- Short-term investments: The short-term investments includes the interbank deposits and the repurchase agre-ements. The carrying amount is approximated to the fair value.
- Loans operations – Fair value are estimated for groups of loans with similar characteristics. The fair value was measured by discounting estimated cash flow using the interest rate of new contracts.
- Deposits – The fair value of deposits was calculated by discounting the difference between the cash flows on a contractual basis and current market rates for instruments with similar maturities. For variable-rate deposits, the carrying amount was considered to approximate fair value.
- Long-tem loans – The fair value of long-term loans were estimated by cash flow discounted at the interest rate offered on the market with similar terms and maturities.

g) Other Obligations

The Bank rents properties, mainly used for branches, based on a standard contract which may be cancelled at its own criterion and includes the right to opt for renewals and adjustment clauses, classified as operating lease. Total future minimum payments of non-cancelable operating leases as of December 31, 2009 is R$1,077,586, of which R$314,250 matures in up to 1 year, R$686,885 from 1 year to up to 5 years and R$76,451 after 5 years. Payment of operating leases recognized as expenses for the period were R$304,366.

Monthly rental contracts will be adjusted on an annual basis, as per prevailing legislation, at IGPM variation. The lessee is entitled to unilaterally rescind the agreement, at any time, without paying fines, encumbrances or penalties, through a written communication to the lesser upon 30 days prior notice, without prejudice to rent payment and charges due until then.

[*]For these purposes, the fair value of customer demand deposits, which are included within customer deposits, are taken to be the same as their carrying amount.

42. Operating segments

In accordance with IFRS 8, an operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available.

Following such guidance, the Bank has identified the following business segments as its operating segments:

- Commercial Banking,
- Global Wholesale Banking,
- Asset Management and Insurance.

The Commercial Banking segment encompasses the entire commercial banking business (except for the Corporate Banking business managed globally using the Global Relationship Model). The Asset Management and Insurance segment includes the contribution to the Bank arising from the design and management of the investment fund, pension and insurance businesses of the various units. The Global Wholesale Banking segment reflects the returns on the Global Corporate Banking business, those on Investment Banking and Markets worldwide, including all the globally managed treasury departments and the equities business.

The condensed income statements and other significant data are as follows:

				Thousands of Reais
				2009
	Commercial Banking	Global Wholesale Banking	Asset Management and Insurance	Total
(Condensed) Income Statement				
NET INTEREST INCOME	**20,260,381**	**1,766,812**	**139,898**	**22,167,091**
Income from equity instruments	29,903	-	-	29,903
Share of results of entities accounted for using the equity method	295,414	-	-	295,414
Net fee and commission income	4,969,848	863,326	404,588	6,237,762
Gains (losses) on financial assets and liabilities and Exchange differences	1,751,572	859,209	54,351	2,665,132
Other operating income/(expenses)	(280,861)	(22,540)	187,777	(115,624)
TOTAL INCOME	**27,026,257**	**3,466,807**	**786,614**	**31,279,678**
Personnel expenses	(4,971,773)	(474,295)	(64,904)	(5,510,972)
Other administrative expenses	(5,213,092)	(175,017)	(48,136)	(5,436,245)
Depreciation and amortization of tangible and intangible assets	(1,175,995)	(38,635)	(33,982)	(1,248,612)
Provisions (net)	(3,389,253)	(45,050)	(46,390)	(3,480,693)
Net impairment losses on financial assets	(9,883,382)	(83,022)	-	(9,966,404)
Net impairment losses on non-financial assets	(899,172)	-	(1,382)	(900,554)
Other non-financial gains/(losses)	3,400,931	-	-	3,400,931
PROFIT BEFORE TAX	**4,894,521**	**2,650,788**	**591,820**	**8,137,129**
Other aggregates:				
Total assets	269,457,520	46,515,056	-	315,972,576
Loans and advances to customers	95,176,323	33,147,601	-	128,323,924
Customer deposits	128,127,568	21,312,588	-	149,440,156

	Thousands of Reais			
	2008			
	Commercial Banking	Global Wholesale Banking	Asset Management and Insurance	Total
(Condensed) Income Statement				
NET INTEREST INCOME	**10,191,650**	**1,213,502**	**32,817**	**11,437,969**
Income from equity instruments	36,972	-	-	36,972
Share of results of entities accounted for using the equity method	112,330	-	-	112,330
Net fee and commission income	3,602,255	449,289	202,159	4,253,703
Gains (losses) on financial assets and liabilities and Exchange differences	(358,011)	540,636	7,041	189,666
Other operating income/(expenses)	(21,570)	(37,782)	(465)	(59,817)
TOTAL INCOME	**13,563,626**	**2,165,645**	**241,552**	**15,970,823**
Personnel expenses	(3,104,942)	(403,671)	(39,549)	(3,548,162)
Other administrative expenses	(3,485,160)	(129,640)	(21,975)	(3,636,775)
Depreciation and amortization of tangible and intangible assets	(797,536)	(44,065)	(4,404)	(846,005)
Provisions (net)	(1,160,918)	(38,638)	(30,761)	(1,230,317)
Net impairment losses on financial assets	(4,076,108)	(23,176)	-	(4,099,284)
Net impairment losses on non-financial assets	(77,267)	-	(10)	(77,277)
Other non-financial gains/(losses)	15,830	-	-	15,830
PROFIT BEFORE TAX	**877,525**	**1,526,455**	**144,853**	**2,548,833**
Other aggregates:				
Total assets	243,957,824	50,232,023	-	294,189,847
Loans and advances to customers	106,317,159	28,151,101	-	134,468,260
Customer deposits	117,516,868	37,977,971	-	155,494,839

	Thousands of Reais			
	2007			
	Commercial Banking	Global Wholesale Banking	Asset Management and Insurance	Total
(Condensed) Income Statement				
NET INTEREST INCOME	**5,491,818**	**693,259**	**10,209**	**6,195,286**
Income from equity instruments	36,387	-	-	36,387
Share of results of entities accounted for using the equity method	5,884	-	-	5,884
Net fee and commission income	2,694,428	253,022	150,522	3,097,972
Gains (losses) on financial assets and liabilities and Exchange differences	944,229	950,485	3,537	1,898,251
Other operating income/(expenses)	143,362	(10,412)	(26)	132,924
TOTAL INCOME	**9,316,108**	**1,886,354**	**164,242**	**11,366,704**
Personnel expenses	(2,071,426)	(277,737)	(35,104)	(2,384,267)
Other administrative expenses	(1,963,009)	(95,500)	(17,441)	(2,075,950)
Depreciation and amortization of tangible and intangible assets	(528,960)	(43,027)	(7,759)	(579,746)
Provisions (net)	(1,192,553)	7,654	(11,513)	(1,196,412)
Net impairment losses on financial assets	(2,164,523)	5,075	11	(2,159,437)
Net impairment losses on non-financial assets	(298,085)	-	3	(298,082)
Other non-financial gains/(losses)	14,331	-	-	14,331
PROFIT BEFORE TAX	**1,111,883**	**1,482,819**	**92,439**	**2,687,141**
Other aggregates:				
Total assets	85,783,918	22,535,315	-	108,319,233
Loans and advances to customers	38,513,016	10,690,066	-	49,203,082
Customer deposits	46,720,925	8,489,533	-	55,210,458

Additionally, the Bank does not have any customers that individually accounted for 10% or greater of our interest and similar income for 2009, 2008 and 2007.

43. Related party transactions

The parties related to the Bank are deemed to include, in addition to its subsidiaries, associates and jointly controlled entities, the Bank's key management personnel and the entities over which the key management personnel may exercise significant influence or control.

Following is a detail of the ordinary business transactions performed by the Bank with its related parties:

a) Management compensation

i) Short-term benefits

At the stockholders meeting was defined to maximum aggregate compensation for the Board of Directors and Executive Officers the amount of R$ 225,554 thousands. In 2008, the management compensation, corresponds to the amount deferred in the Stockholders' Meeting of Banco Santander and the management compensation of Banco Real from August 29, 2009 totaling R$108,702.

Board of Directors' and Executive Board's compensation:

			Thousands of Reais
	2009	**2008**	**2007**
Fixed compensation	35,258	16,017	9,321
Variable compensation	121,490	55,421	56,160
Other	6,294	4,335	3,462
Total	**163,042**	**75,773**	**68,943**

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.

b) 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, associates, management (Board of directors and Directors), members of audit committee and their families.

c) Ownership Interest

The table below shows the direct interest (common shares and preferred shares) as of December 31, 2009 and 2008 exceeding five percent of total shares:

						December 31, 2009
	Common Shares	Common Shares (%)	Preferred Shares	Preferred Shares (%)	Total Shares	Total Shares (%)
Stockholders'						
Grupo Empresarial Santander, S.L. (1)	74,967,225	35.2%	63,531,986	34.1%	138,499,211	34.7%
Sterrebeeck B.V. (1)	99,527,083	46.8%	86,492,330	46.5%	186,019,413	46.6%
Santander Seguros S/A (2)	7,241	0.0%	9,525	0.0%	16,766	0.0%
Santander Insurance Holding	4,745,084	2.2%	4,125,836	2.2%	8,870,920	2.2%
Employees	311,840	0.1%	284,366	0.2%	596,206	0.1%
Members of the Board of Directors	(*)	(*)	(*)	(*)	(*)	(*)
Members of the Executive Board	(*)	(*)	(*)	(*)	(*)	(*)
Other	33,283,259	15.7%	31,758,342	17.0%	65,041,601	16.4%
Total	**212,841,732**	**100.0%**	**186,202,385**	**100.0%**	**399,044,117**	**100.0%**

(*) 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.
(2) The Merger of Santander Seguros' shares, mentioned in note 2, led to mutual participation between Banco Santander and Santander Seguros, which will be eliminated within a maximum period of one year from the Extraordinary General Meeting that approved the merger of shares, in accordance with the current regulation.

						December 31, 2008
	Common Shares	Common Shares (%)	Preferred Shares	Preferred Shares (%)	Total Shares	Total Shares (%)
Stockholders'						
Grupo Empresarial Santander, S.L. (1)	72,504,460	41.6%	61,391,761	40.5%	133,896,221	41.1%
Sterrebeeck B.V. (1)	99,048,194	56.8%	8 6,076,161	56.8%	185,124,355	56.8%
Members of the Board of Directors	(*)	(*)	(*)	(*)	(*)	(*)
Members of the Executive Board	(*)	(*)	(*)	(*)	(*)	(*)
Other	2,739,762	1.6%	3,997,945	2.7%	6,737,707	2.1%
Total	**174,292,416**	**100.0%**	**151,465,867**	**100.0%**	**325,758,283**	**100.0%**

(*) 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.

d) Related-Party Transactions

From time to time the Bank engages in lending and borrowing transactions to fund its operations and other miscellaneous transactions with various companies of the Santander Group, in compliance with restrictions on loans or advances imposed by Brazilian law. All such transactions with Santander Group companies were conducted on an arm's length basis on terms substantially similar to those available from other providers in the market.

The principal transactions and balances are as follows:

				Thousands of Reais
		2009		2008
	Joint controlled companies	Related-Party	Joint controlled companies	Related-Party
Assets				
Cash and balances with the Brazilian Central Bank [1]	**-**	**295,448**	**-**	**714,127**
Banco Santander, S.A. – Spain	-	294,539	-	713,858
Other	-	909	-	269
Loans and advances to credit institutions [2]	**335,849**	**994,019**	**455,844**	**10,605,899**
Banco Santander, S.A. – Spain	-	994,019	-	3,605,118
Abbey National Treasury Services Plc Abbey National Treasury Services Plc	-	-	-	4,674,000
Santander Benelux, S.A., N.V.	-	-	-	2,326,781
Companhia de Crédito, Financiamento e Investimento RCI Brasil	298,095	-	380,808	-
Companhia de Arrendamento Mercantil RCI Brasil	37,754	-	75,036	-
Trading derivatives	**-**	**953,243**	**-**	**1,501,689**
Santander Benelux, S.A., N.V.	-	891,133	-	1,472,414
Santander Overseas Bank, Inc – Puerto Rico	-	-	-	28,858
Other	-	62,110	-	417
Other Assets	**218**	**142**	**111**	**125,237**
Banco Santander, S.A. – Spain	-	115	-	1,924
Santander Seguros S.A.	-	-	-	115,720
Santander Brasil Seguros S.A.	-	-	-	4,539
Santander Capitalização S.A.	-	-	-	3,054
Others	218	27	111	-
Liabilities				
Trading derivatives	**-**	**(1,037,799)**	**-**	**(1,667,390)**
Banco Santander, S.A. – Spain	-	-	-	(160,648)
Santander Benelux, S.A., N.V.	-	(957,392)	-	(1,468,981)
Santander Overseas Bank, Inc – Puerto Rico	-	-	-	(2,232)
Abbey National Plc	-	-	-	(35,529)
Abbey National Treasuty Plc	-	(24,028)	-	-
Fundo de Investimento Multimercado Santillana Cred. Privado	-	(55,891)	-	-
Others	-	(488)	-	-

Deposits from credit institutions	**(15,142)**	**(3,551,162)**	**(40,229)**	**(5,471,056)**
Banco Santander, S.A. – Spain	-	(2,705,728)	-	(4,071,725)
Santander Overseas Bank, Inc – Puerto Rico	-	-	-	(1,153,129)
Banco Español de Crédito, S.A. – Banesto	-	-	-	(240,852)
Grupo Banesto: Sociedades consolidables	-	(157,283)	-	-
Abbey National Treasury Services Plc	-	(387,616)	-	-
Fundo de Investimento Multimercado Santillana Cred. Privado	-	(192,139)	-	-
Fundo de Investimento Multimercado Menorca Crédito Privado	-	(106,490)	-	-
Companhia de Arrendamento Mercantil RCI Brasil	(2,626)	-	(25,589)	-
Others	(12,516)	(1,906)	(14,640)	(5,350)
Customer deposits	**-**	**(1,832)**	**(85,198)**	**(120,400)**
Produban Serviços de Informática S.A.	-	-	-	(35,438)
Santander Seguros S.A.	-	-	-	(8,094)
ISBAN S.A.	-	-	-	(73,153)
Cia Brasileira de Soluções e Serviços – CBSS	-	-	(67,225)	-
Celta Holdings Ltda	-	-	(1,686)	-
Tecnoligia Bancária – TECBAN	-	-	(16,280)	-
Other	-	(1,832)	(7)	(3,715)
Subordinated liabilities	**-**	**(1,667,219)**	**-**	**-**
Banco Santander, S.A. – Spain	-	(1,667,219)	-	-
Other Liabilities -Dividends and Bonuses Payable	**-**	**(1,392,079)**	**-**	**(1,352,252)**
Grupo Empresarial Santander, S.L.	-	(570,414)	-	(567,344)
Santander Insurance Holding, S.L.	-	(81,701)	-	-
Sterrebeeck B.V.	-	(739,683)	-	(784,892)
Others	-	(281)	-	(16)
Other Payables	**-**	**(9,266)**	**(7,925)**	**(40,534)**
Banco Santander, S.A. – Spain	-	(9,266)	-	(12,075)
Ingeniería de Software Bancario, S.L	-	-	-	(14,479)
ISBAN S.A.	-	-	-	(6,368)
Altec, S.A. – Chile	-	-	-	(4,395)
Produban Serviços de Informática S.A.	-	-	-	(3,084)
Other	-	-	(7,925)	(133)
Income				
Interest and similar income -Loans and advances to credit institutions	**40,034**	**4,950**	**6,167**	**33,348**
Banco Santander, S.A. – Spain	-	2,463	-	23,911
Abbey National Treasury Services Plc	-	2,487	-	9,437
Companhia de Crédito, Financiamento e Investimento RCI Brasil	33,674	-	3,947	-
Companhia de Arrendamento Mercantil RCI Brasil	6,360	-	2,220	-

(1) Comprised of cash balances that did not bear interest.
(2) All loans to related parties were made in our ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavorable features.

Interest expense and similar charges -Customer deposits	**(7,233)**	**(12,039)**	**(8,153)**	**(10,374)**
Produban Serviços de Informática S.A.	-	-	-	(2,654)
ISBAN S.A.	-	-	-	(7,445)
Fundo de Investimento Multimercado Menorca Crédito Privado	-	(11,940)	-	-
Companhia de Arrendamento Mercantil RCI Brasil	(6,379)	-	(8,153)	-
Other	(854)	(99)	-	(275)
Interest expense and similar charges -Deposits from credit institutions	**(400)**	**(125,466)**	**-**	**(552,897)**
Banco Santander, S.A. – Spain	-	(100,574)	-	(439,379)
Santander Overseas Bank, Inc – Puerto Rico	-	(9,062)	-	(50,406)
Banco Español de Crédito, S.A. – Banesto - -	-	-	-	(12,263)
Banco Santander, S.A. – Chile	-	-	-	(50,838)
Grupo Banesto: Sociedades consolidables	-	(1,131)	-	-
Abbey National Treasury Services Plc	-	(1,869)	-	-
Cia Brasileira de Soluções e Serviços – CBSS	-	(4,821)	-	-
Fundo de Investimento Multimercado Santillana Cred. Privado	-	(7,922)	-	-
Companhia de Crédito, Financiamento e Investimento RCI Brasil (400)	(400)	-	-	-
Others	-	(87)	-	(11)
Gains/losses on financial assets and liabilities	**-**	**(468,098)**	**-**	**(675,087)**
Banco Santander, S.A. – Spain	-	-	-	(295,815)
Santander Benelux, S.A., N.V.	-	(320,972)	-	(349,805)
Santander Overseas Bank, Inc – Puerto Rico	-	(6,001)	-	24,145
Fundo de Investimento Multimercado Menorca Crédito Privado	-	46,023	-	-
Fundo de Investimento Multimercado Santillana Cred. Privado	-	(182,833)	-	-
Other	-	(4,315)	-	(53,612)
Other income expenses	**6,861**	**(188,209)**	**-**	**(175,929)**
Banco Santander, S.A. – Spain	-	(83,843)	-	15,511
Santander Seguros S.A.	-	(475)	-	1,078
Santander Capitalização S.A.	-	13,351	-	35,054
ISBAN S.A.	-	-	-	(95,552)
Altec, S.A. – Chile	-	(7,805)	-	(2,837)
Aquanima Brasil Ltda.	-	(22,239)	-	(16,095)
Ingeniería de Software Bancario, S.L.	-	(24,900)	-	(19,857)
Santander Investment Securities Inc	-	(44,757)	-	-
Companhia de Crédito, Financiamento e Investimento RCI Brasil	6,134	-	-	-
Other	727	(17,541)	-	(93,231)
Gains on disposal of assets not classified as non-current assets held for sale	**-**	**2,376,460**	**-**	**-**
Santusa Holding, S.L.	-	2,376,460	-	-

44. Risk management

Risk management at the Santander Brazil follow that same principles that are set at the Group level:

- Independence of the risk function with respect to the business. The head of the Bank's Risk Division, reports directly to the executive committee and the board. The local risk unit keeps its independence with a direct report to the Corporate risk Unit.
- Commitment to supporting the business by contributing, without undermining the preceding principle, to the achievement of commercial objectives whilst safeguarding risk quality. To this end, the risk organizational structure is adapted to the commercial structure so as to encourage cooperation between business and risk managers.
- Collective decisions (even at branch level), which ensure that different opinions are taken into account and avoid situations in which decisions are taken individually.
- Well-established tradition of using internal rating and scoring tools, return on risk-adjusted capital (RORAC), value-at-risk (VaR), economic capital, extreme scenario analyses, etc.
- Global approach, achieved by addressing on an integrated basis all the risk factors in all the business units and geographical locations, and using the concept of economic capital as a consistent measure of the risk assumed and as the basis for assessing the management performed.

Desire to continue to target a medium-low risk profile, emphasizing its low volatility and its predictability, by:

- Seeking to achieve a high degree of risk diversification, thus limiting risk concentration on particular customers, groups, sectors, products or geographical locations;
- Maintaining a low level of complexity in Markets operations;
- Paying ongoing attention to risk monitoring in order to prevent potential portfolio impairment sufficiently in advance.

At Santander Brazil, the risk management and control process has been structured using as reference the framework defined at corporate level and described according to the following phases:

- Adaptation of corporate risk management frameworks and policies that reflect Santander's risk management principles.

Santander Brazil adopts a series of risk policies and procedures that constitute its regulatory framework, which, taking the form of circulars, frameworks (formerly the Risk Management Policy Manuals) and operating rules, regulates the risk activities and processes.

Within this regulatory framework, the Corporate Risk Management Framework, approved by Senior Management (Risks), regulates the principles and standards governing the general modus operandi of the Santander Brazil«s risk activities, based on the corporate organizational and a management models. One of the main characteristics of this Corporate Risk Management Framework is that it leads to the regulation, through a series of more specific corporate frameworks, of the functions reporting to the Risk Unit.

The organizational model comprises the management map, the risk function and governance, and the regulatory framework itself. The management model contains the basic pillars for risk management, the channels for the planning and setting of targets, the budgeting and risk limit setting process, the control of operations, the framework for risk reporting to senior management and the technological reference model for risk management.

- Identification of risks, through the constant review and monitoring of exposures, the assessment of new products and businesses and the specific analysis of singular transactions;
- Measurement of risks using extensively tested methods and models;
- Preparation and distribution of a complete set of reports that are reviewed daily by the heads at all levels of Santander management.

Implementation of a risk control system which checks, on a daily basis, the degree to which Santander Brazil«s risk profile matches the risk policies approved and the risk limits set. The most noteworthy corporate tools and techniques (abovementioned) already in use in Santander Bank are in different stages of maturity regarding the level of implementation and use in Santander Brazil. For wholesale segment, these technics are quite in line with the corporate level development. For local segments, internal ratings and scorings based models, VaR and market risk scenario analysis and stress testing have been already embbebed in risk management routine while Expected loss, Economic Capital and RORAC have been recently started.

- Internal ratings-and scorings-based models which, by assessing the various qualitative and quantitative risk components by customer and transaction, make it possible to estimate, firstly, the probability of default and, subsequently, the expected loss, based on LGD estimates.
- Economic capital, as a homogeneous measure of the risk assumed and a basis for the measurement of the management performed.
- RORAC, which is used both as a transaction pricing tool (bottom-up approach) and in the analysis of portfolios and units (top-down approach).
- VaR, which is used for controlling market risk and setting the market risk limits for the various trading portfolios.
- Scenario analysis and stress testing to supplement market and credit risk analyses in order to assess the impact of alternative scenarios, even on provisions and capital.

Santander Brazil intends to use the internal Models for the calculation of regulatory capital and for this has agreed a timetable with the home supervisor. This plan is currently under revision due to the Banco Real's acquirement. Notwithstanding, the Santander Brazil has defined a Basel2 governance structure and has assigned for this purpose, all the human and technology resources necessary to meet the stringent requirements established by the Bank of Spain, the supervisory authority responsible for the validation of these internal models in the Santander Group. It is also important to mention that this Basel2 governance structure is also responsible to incorporate the local regulator requirements and assures the compliance with these requirements and assures the compliance with these requirements.

I. CORPORATE GOVERNANCE OF THE RISK FUNCTION

The risk committee framework for Santander Brazil is set based on corporate risk standards. The executive risk committees have their level of approvals delegated by the risk committee at Santander Bank, an executive body that adopts decisions within the scope of the powers delegated by the board, is presided over by the third deputy chairman of the Banco Santander and also comprises a further four directors of the Bank. The Executive committees are responsible for ensuring that the local risk policies are implemented and ensures that the Santander Brazil's activities are consistent with its risk tolerance level for the main risk exposures approved by Banco Santander. Those exposures are systematically reviewed and presented to these committees that also decide upon any transactions that exceed the powers delegated to lower-ranking bodies. The executive risk committee is also responsible for advising the Group Risk Committee about the proposals that exceed its level of approval.

The executive risk committees take place on weekly basis evidencing the importance that the Santander Brazil attaches to the proper management of its risks.

The responsibilities assigned to the executive risk committee are essentially as follows:

- To ensure to the Senior Management of the Bank, that the local policies are implemented and followed in accordance with the corporate standards including:
    - The various types of risk (financial, operational, technological, legal and reputational, inter alia) facing the Bank; -The information and internal control systems to be used to control and manage these risks; -The level of risk deemed acceptable by the Bank; -The measures envisaged to mitigate the impact of the identified risks in the event that they materialize; -To conduct systematic reviews of the Bank's exposure to its main customers, economic activity sectors, geographical areas and types of risk.
    - To authorize the local management tools and risk models and ascertain the result of their internal validation.
    - To ensure that the Santander Brazil«s actions are consistent with the level of risk tolerance previously approved at group level.
    - To be informed of, assess and follow any remarks and recommendations that may be periodically made by the supervisory authorities in discharging their function.

- To resolve transactions outside the powers delegated to lower-ranking bodies and the overall limits for pre-classified risk categories in favor of economic groups or in relation to exposure by type of risk.

The executive risk committee has delegated certain of its powers to risk committees which are structured by, business line, type and segment of risk. The risk function at the Santander Brasil is performed through an Executive Risk Unit, which is independent from the business areas from both a hierarchical and a functional standpoint. This Executive Risk Unit directly reports to the CEO of the Santander Brazil and to the Head of Risk of Santander Bank.

In Santander Brazil the Executive Risk Unit has divided into two blocks:

- A control and methodology structure, which adapts the risk policies, methodologies and control systems and consists of several units organized by type of risk (solvency, market risks and methodology).
- A business structure, centered on the performance and management integration of the risk function in the Santander Brazil«s retail, corporate and wholesale businesses. There are specific areas for each of these businesses, a Collection area and a socio environmental risk analysis area.

Additionally, there is a specific area named "Governance and Regulation", which is responsible for assuring that the risk governance model works and that it is adherent to the local and international regulation.

Santander Brazil follows the same risk policy of Banco Santander Spain that is oriented towards maintaining a predictable medium-low risk profile, as regards both credit and market risks. Following is an analysis of the Bank's main types of risk: credit, market, operational and reputational risks.

II. CREDIT RISK

1. Introduction to the treatment of credit risk

Credit risk is the exposure to loss stemming from the total or partial failure of our customers or counterparties to meet their financial obligations to the Bank. Credit Risk management seeks to provide credit to help in defining strategies, in addition to setting limits, including review of exhibitions and trends as well the effectiveness of credit policy.

The specialization of the Bank's risk function is based on the type of customer and, accordingly, a distinction is made between individualized customers and standardized customers in the risk management process:

- Individualized customers are defined as those to which a risk analyst has been assigned, basically because of the risk assumed. This category includes wholesale banking customers, financial institutions and certain enterprises belonging to retail banking. Risk management is performed through an analysis supplemented by decision-making support tools based on internal risk assessment models.
- Standardized customers are those which have not been expressly assigned a risk analyst. This category generally includes individuals, individual entrepreneurs, and retail banking enterprises not classified as individualized customers. Management of these risks is based on internal risk assessment and automatic decision-making models, supplemented subsidiarily, when the model is not comprehensive enough or is not sufficiently accurate, by teams of analysts specializing in this type of risk.

2. Main aggregates and variations

The profile of the credit risk assumed by the Bank is characterized by a diversified geographical distribution and the prevalence of retail banking operations.

a) Map of credit risk -2009

The following table shows the map of credit risk, expressed in nominal amounts (with the exception of exposure in derivatives and repos, which is expressed in credit risk equivalent), to which the Bank was exposed at December 31 2009 (in thousands of Reais).

BANCO SANTANDER - GROSS CREDIT RISK EXPOSURE AS OF DECEMBER 31, 2009								
Customer Draw-Downs [(1)]	Drawable by customers	Sovereign Fixed Income (Excl. Trad)	Private Fixed Income (Excl. Trad)	Credit Institutions Draw-downs	Drawable by Credit Institu-tions	Derivatives and Repos (CRE)	Total	Change/ Dez 08
159,361,775	77,789,371	41,987,587	3,043,193	36,437,270	-	13,972,122	332,591,318	107.50%

b) Variations in main aggregates in 2009

The international financial turmoil, initiated in 2nd semester of 2008, had negatively impacted the steady growing of credit risk portfolio observed over the last years in Brazilian financial market. The economic effects such as demand restrictions, decrease on industrial production, unemployment growth and consumption downturn, brought severe restrictions to credit offer and quality deterioration of the existing credit portfolio.

Brazilian Government had adopted two main measures in order to contain the crisis impacts in the credit market, such as, funding maintenance for medium banks and incentive for public banks to increase the credit offer on the local market. As a result, the credit grew 15% on 2009, which represents half of the last year's growth. Notwithstanding as the last default rates has shown that the credit portfolio quality improved in the last quarter, one can expect better results and optimistic estimates for 2010.

Santander Brazil had proactively acted in twofold ways. From a portfolio perspective, all the credit admission policies were reviewed in order to become more restricted, whilst allowing the choice of clients with profile closer to the corporate credit risk policy.

Once identified signs of enhancements on economic scenario and on Group client's profile, Santander increased stimulation to credit, as kept active on cases that demand special attention, offering individualized products, such as "Cheque Essencial", which intends to offer the best between overdraft and installment loans. Santander credit operations grew close to private banks. Default rates increased strongly on 1st semester, reached the highest level on 3rd quarter, and began to fall during the 4th quarter, reaching figures closer to those before the world crisis. Santander increased share on individuals and mortgage to individuals volumes.

(1) it refers to the gross portfolio in the amount of R$138,394,405 thousand plus the balance of guarantees in the amount of R$20,967,370 thousand.
Data as December 31, 2009.
CRE (Credit Risk Equivalent: net replacement value plus maximum potential value. Includes credit risk mitigants).
Balances drawn down by customers exclude repos.
Balances with credit institutions (excluding repos and trading portfolio) include R$ 23,638,345 thousand of deposits at the Brazilian Central Bank.

Credit Risk Exposure to Customers (*) (Thousands of Reais)		Non-Performing Loans Ratio (%)		Impairment Coverage Ratio (%)		Specific Credit Loss Provisions, Net of RAWO (**) (Thousands of Reais)		Cost of Credit (1) (% of Risk)	
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
159,361,775	164,695,074	6.21	4.69	101.7	105.8	10,070,479	8,181,156	7.24	4.45

c) Distribution of credit risk

The Bank is well diversified within segments and products and concentrates its activities on its core markets. Retail business represents 57% and non-retail 43% of total credit assets.

3. Measures and measurement tools

a) Rating tools

Santander has used proprietary internal rating models to measure the credit quality of a given customer or transaction. Each rating relates to a certain probability of default or nonpayment, determined on the basis of the Entity's historical experience, with the exception of certain portfolios classified as "low default portfolios". More than 50 internal rating models are used in the Bank's loan approval and risk monitoring process.

Global rating tools are applied to the sovereign risk, financial institutions and global wholesale banking segments. Management of these segments is centralized at Bank level, for both rating calculation and risk monitoring purposes. These tools assign a rating to each customer, which is obtained from a quantitative or automatic module, based on balance sheet ratios or macroeconomic variables, supplemented by the analyst's judgment.

For the corporate and individualized institutions segments, the Parent of the Santander Bank has defined a single methodology for the construction of a rating system in each country, based on the same modules as the above-mentioned ratings: a quantitative or automatic module (analyzing the credit performance of a sample of customers and the correlation with their financial statements), a qualitative or analyst judgment module, and final reviews.

Ratings assigned to customers are reviewed periodically to include any new financial information available and the experience in the banking relationship. The frequency of the reviews is increased in the case of customers that reach certain levels in the automatic warning systems and of customers classified as requiring special monitoring. The rating reviews is increased in the case of customers that reach certain levels in the automatic warning systems and of customers classified as requiring special monitoring. The rating tools themselves are also reviewed in order to progressively fine-tune the ratings they provide.

For standardized customers, both legal entities and individuals, the Bank has scoring tools that automatically assign a score to the proposed transactions.

These loan approval systems are supplemented by performance rating models. These tools provide enhanced predictability of the risk assumed and are used for preventive and marketing activities.

b) Credit risk parameters

The estimates of the risk parameters (PD and LGD) should be based on internal experience, i.e. on default observations and on the experience in defaulted loan recoveries.

For low portfolios, such as banks, sovereign risk or global wholesale banking, the parameters are based on CDS market data and with global broadness, using Santander«s world presence.

For the other portfolios, parameter estimates are based on the Bank's internal experience. In retail portfolios, the internal rating is estimated based on models that use client behavior data and available external bureau information; PDs are then calculated based on default rates, which is defined as 90 days past due.

LGD calculation is based on the observation of the recoveries of defaulted loans, taking into account not only the income and expenses associated with the recovery process, but also the timing thereof and the indirect costs arising

Data prepared on the basis of management criteria. Memorandum item Spain for 2009, on basis of controller's unit accounting criteria.
(*) Includes gross loans and advances to customers, guarantees and documentary credits.
(**) RAWO = Recoveries of Assets Written Off.

from the recovery process.

The estimated parameters are then assigned to performing, i.e. non-defaulted, loans. For low-default portfolios, which are managed globally, the assignment process follows the same patterns in all Santander units.

By contrast, the retail portfolios have specific scoring systems in each of the Bank's units, which require the development of separate estimates and the assignation of parameters in a particular manner in each case.

c) Master rating scale

In order to achieve equivalent internal ratings in the different models available –corporate, sovereign risk, financial institutions and other segments– and to make them comparable with the external ratings of rating agencies, the Bank has a so-called master rating scale.

The equivalence is established through the probability of default associated with each rating. Internally calibrated PDs are compared against the default rates associated with the external ratings, which are published periodically by rating agencies.

		Equivalence with	
Internal rating	Probability of Default	Standard & Poor's	Moody's
9.3	0.017%	AAA	Aaa
9.2	0.018%	AA+	Aa1
9.0	0.022%	AA	Aa2
8.5	0.035%	AA-	Aa3
8.0	0.06%	A+	A1
7.5	0.09%	A	A2
7.0	0.14%	A-	A3
6.5	0.23%	BBB+	Baa1
6.0	0.36%	BBB	Baa2
5.5	0.57%	BBB-	Baa3
5.0	0.92%	BB+	Ba1
4.5	1.46%	BB	Ba2
4.0	2.33%	BB/BB-	Ba2/Ba3
3.5	3.71%	BB-/B+	Ba3/B1
3.0	5.92%	B+/B	B1/B2
2.5	9.44%	B	B2
2.0	15.05%	B-	B3
1.5	24.00%	CCC	Caa1
1.0	38.26%	CC/C	Caa1/Caa2

d) Distribution of EAD and associated EL

The table below details the distribution, by segment, of the credit risk exposure in terms of EAD. Approximately 60% of total risk exposure to customers (excluding sovereign and counterparty risk and other Assets) relates to the SME and individuals financing segments, which reflects the commercial orientation of the Santander Bank's business and risks. The expected loss arising from customer exposure is 7,3% of total credit exposure of the Bank (excluding sovereign, counterparty risk and other Assets), which reflects the crisis consequences and effects in the global market.

	Segmentation of credit risk exposure				
	EAD (millions of reais)	%	Average PD(%)	Average LGD (%)	EL
Public sector	966	0.8	3.05	74.60	22
Corporate	44.928	35.0	3.95	19.12	361
SMEs	20.311	15.8	9.23	69.16	1.283
Mortgage loans to individuals	5.116	4.0	2.27	40.00	47
Consumer loans to individuals	47.873	37.3	10.00	67.39	2.656
Credit cards – individuals	7.751	6.0	4.29	68.30	227
Other assets	1.528	1.2	-	-	1
Total	**128,474**	**100.0**	**5.15**	**31.06**	**4,596**

Data at December 2009.
Excluding doubtful assets/non-performing loans.

4. Observed loss: measures of cost of credit

To supplement the use of the advanced models described above (see related data in the "Economic Capital" section), other habitual measures are used to facilitate prudent and effective management of credit risk based on observed loss.

The cost of credit risk at the Bank is measured using different approaches: variation in non-performing loans in the recovery process (ending doubtful assets – beginning doubtful assets + assets written off – recovery of assets written off), net credit loss provisions (provisions to specific allowances – recovery of assets written off); and net assets written off (assets written off – recovery of assets written off).

5. Credit risk cycle

The risk management process consists of identifying, measuring, analyzing, controlling, negotiating and deciding on, as appropriate, the risks incurred in the Bank's operations. The parties involved in this process are the risk taking areas, senior management and the risk function.

The process begins at senior management level, through the board of directors and the risk committee, which establishes the risk policies and procedures, and the limits and delegations of powers, and approves and supervises the scope of action of the risk function.

The risk cycle comprises three different phases: pre-sale, sale and post-sale:

- Pre-sale: this phase includes the risk planning and target setting processes, determination of the Bank's risk appetite, approval of new products, risk analysis and credit rating process, and limit setting.
- Sale: this is the decision-making phase for both pre-classified and specific transactions.
- Post-sale: this phase comprises the risk monitoring, measurement and control processes and the recovery process.

a. Risk limit planning and setting

Risk limit setting is a dynamic process based on the Bank's risk appetite by assessing business proposals for credit portfolios, Wholesale clients and Treasury business. Credit limits are approved by the Executive Board, though a global risk limit plan.

For clients individualized risks, individual limits are established (pre-classification) which defines the maximum acceptable credit level for this client and minimum capital return based on the allocated capital.

In the case of risks from Retail credit portfolio, the risk limits are registered through credit management programs (PGC, using the Spanish acronym), a document that includes details of each portfolio, such as target population, product commercial conditions, admission and recovery policies, and risk return analysis.

b. Risk analysis and credit rating process

Risk analysis is a pre-requisite for the approval of loans to customers by the Bank. This analysis consists of examining the counterparty's ability to meet its contractual obligations to the Bank, which involves analyzing the customer's credit quality, its risk transactions, its solvency and the return to be obtained in view of the risk assumed.

The risk analysis is conducted yearly, at least, and can be held shortly when client profile indicates (through systems with centralized alerts, managers visits to clients or specific credit analysis), or when operations are not covered by pre-classification.

c. Transaction decision-making

The purpose of the transaction decision-making process is to analyze transactions and adopt resolutions thereon, taking into account the risk appetite and any transaction elements that are important in achieving a balance between risk and return.

Since 1993 the Bank has been using, among others, the RORAC (return on risk-adjusted capital) methodology for the risk analysis and pricing in the decision-making process on transactions and deals.

d. Risk monitoring and control

In addition to the tasks performed by the Internal Audit Division, the Risk Unit has a specific risk monitoring function for adequate credit quality control, which consists of local and global teams to which specific resources and persons in charge have been assigned.

This monitoring function is based on an ongoing process of permanent observation to enable early detection of any incidents that might arise in the evolution of the risk, the transactions, the customers and their environment, and the adoption of mitigating actions. The risk monitoring function is specialized by customer segment.

For this purpose a system called "special surveillance firms" (FEVE, using the Spanish acronym) has been designed that distinguishes four categories based on the degree of concern raised by the circumstances observed (extinguish, secure, reduce and monitor). The inclusion of a company in the FEVE system does not mean that there has been a default, but rather that it is deemed advisable to adopt a specific policy for this company, to place a person in charge and to set the policy implementation period. Customers classified as FEVE are revised at least every six months, or every three months for those classified in the most severe categories. A company is classified as FEVE as a result of the monitoring process itself, a review performed by Internal Audit, a decision made by the sales manager responsible for that company or the triggering of the automatic warning system.

Assigned ratings are reviewed at least annually, but should any weakness be detected, or depending on the rating itself, more frequent reviews are performed.

For exposures to standardized customers, the key indicators are monitored in order to detect any variance in the performance of the loan portfolio with respect to the forecasts contained in the credit management programs.

Risk control function

Supplementing the management process, the risk control function obtains a global view of the Bank's loan portfolio, through the various phases of the risk cycle, with a level of detail sufficient to permit the assessment of the current situation of the risk process, its qualities and any changes therein.

Any changes in the Bank's risk exposure are controlled on an ongoing and systematic basis against budgets, limits and benchmarks, and the impacts of these changes in certain future situations, both of an exogenous nature and those arising from strategic decisions, are assessed in order to establish measures that place the profile and amount of the loss portfolio within the parameters set by the Bank.

The risk control function is performed by assessing risks from various complementary perspectives, the main pillars being control by geographical location, business area, ma nagement model, product and process, thus facilitating the detection of specific areas warranting action and for which decisions have to be taken.

6. Credit risk from other standpoints

Certain areas and/or specific views of credit risk deserve specialist attention, complementary to global risk management.

a) Concentration risk

Concentration risk is an essential factor in the area of credit risk management. The Bank constantly monitors the degree of concentration of its credit risk portfolios, by geographical area/country, economic sector, product and customer group.

The risk committee establishes the risk policies and reviews the exposure limits required to ensure adequate management of credit risk portfolio concentration.

From the sectorial standpoint, the distribution of the corporate portfolio is adequately diversified.

The Bank's Risk Division works closely with the Finance Division in the active management of credit portfolios, which includes reducing the concentration of exposures through several techniques, such as the arrangement of credit derivatives for hedging purposes or the performance of securitization transactions, in order to optimize the risk/return ratio of the total portfolio.

b) Credit risk from financial market operations

This heading includes the credit risk arising in treasury operations with customers, mainly credit institutions. These operations are performed both via money market financing products with different financial institutions and via derivative instruments arranged for the purpose of serving our customers.

Risk control is performed using an integrated, real-time system that enables the Bank to know at any time the unused exposure limit with respect to any counterparty, any product and maturity and at any Bank unit.

Credit risk is measured at its current market value and its potential value (exposure value considering the future variation in the underlying market factors). Therefore, the credit risk equivalent (CRE) is defined as the sum of net replacement value plus the maximum potential value of the contracts in the future.

c) Environmental risk

The environmental risk analysis of credit transactions is one of the main features of the Strategic Corporate Social Responsibility Plan. The analysis is founded on two major cornerstones:

The Equator Principles: an initiative of the International Finance Corporation of the World Bank. These principles constitute an international standard for the analysis of the social and environmental implications of project finance transactions. Banco Santander adheres to these principles and its management incorporates the analysis and assessment of the social and environmental risks of projects financed in developing countries.

The VIDA tool: implemented since 2004, the main aim of this tool is to assess the environmental risk of both current and potential customer companies, using a system that classifies each of the companies into one of seven categories, depending on the degree of environmental risk incurred.

Currently the Bank is implementing the environmental and social risk management system for Santander's operations in Brazil that had previously been in place at Banco Real. Under this system, borrowers are screened for environmental and social problems, such as contaminated land, deforestation, slave labor and other major environmental and social issues for which there are potential penalties. In 2008, Banco Real screened approximately 5,000 corporate clients for these types of risks. A specialized team of biologists and geologists monitors the customers' environmental practices, and a team of financial analysts studies the likelihood of damages that unfavorable environmental conditions may cause to our customers' financial condition and collateral, among other effects. This monitoring activity also aims to preserve our reputation in the market.

III. MARKET RISK

III.1. Activities subject to market risk

The measurement, control and monitoring of the market risk area comprises all operations in which net worth risk is assumed. This risk arises from changes in the risk factors – interest rate, exchange rate, equities, commodity prices and the volatility thereof– and from the solvency and liquidity risk of the various products and markets in which the Bank operates.

The activities are segmented by risk type as follows:

1. Trading: this item includes financial services for customers, trading operations and positioning mainly in fixed-income, equity and foreign currency products.
2. Balance sheet management: A risk management assessment aims to give stability to interest income from the commercial and economic value of the Bank, maintaining adequate levels of liquidity and solvency. The risk is measured by the balance sheet exposure to movements in interest rates and level of liquidity.
3. Structural risks:

a. Structural foreign currency risk/hedges of results: foreign currency risk arising from the currency in which investments in consolidable and non-consolidable companies are made (structural exchange rate). This item also includes the positions taken to hedge the foreign currency risk on future results generated in currencies other than the Real (hedges of results).

b. Structural equities risk: this item includes equity investments in non-consolidated financial and non-financial companies that give rise to equities risk.

The Treasury area is responsible for managing the positions taken in the trading activity.

The Financial Management area is responsible for managing the balance sheet management risk and structural risks centrally through the application of uniform methodologies adapted to the situation of each market in which the Bank operates. Thus, in the convertible currencies area, Financial Management directly manages the Parent's risks and coordinates the management of the other units operating in these currencies. Decisions affecting the management of these risks are taken through the ALCO committees in the respective countries and, ultimately, by the Parent's markets committee.

The aim pursued by Financial Management is to ensure the stability and recurring nature of both the net interest margin of the commercial activity and the Bank's economic value, whilst maintaining adequate liquidity and solvency levels.

Each of these activities is measured and analyzed using different tools in order to reflect their risk profiles as accurately as possible.

III.2. Methodologies Trading

The Bank calculates trading market risk capital requirement using a standard model provided by Brazilian Central Bank.

The standard methodology applied to trading activities by the Santander Bank in 2009 was value at risk (VaR), which measures the maximum expected loss with a given confidence level and time horizon. This methodology was based on a standard historical simulation with a 99% confidence level and a one-day time horizon. Statistical adjustments were made to enable the swift and efficient incorporation of the most recent events that condition the level of risk assumed.

Specifically, the Bank uses a time window of two years or 520 daily data obtained retrospectively from the reference date of the VaR calculation. Two figures are calculated each day, one by applying an exponential decline factor which gives a lesser weighting to more distant observations in time, and another with uniform weightings for all observations. The VaR reported is the higher of these two figures.

VaR is not the only measure. It is used because it is easy to calculate and because it provides a good reference of the level of risk incurred by the Bank. However, other measures are simultaneously being implemented to enable the Bank to exercise greater risk control in all the markets in which it operates.

One of these measures is scenario analysis, which consists of defining behavior scenarios for various financial variables and determining the impact on results of applying them to the Bank's activities. These scenarios can replicate past events (such as crises) or, conversely, determine plausible scenarios that are unrelated to past events. A minimum of three types of scenarios are defined (plausible, severe and extreme) which, together with VaR, make it possible to obtain a much more complete spectrum of the risk profile.

The positions are monitored daily through an exhaustive control of changes in the portfolios, the aim being to detect possible incidents and correct them immediately. The daily preparation of an income statement is an excellent risk indicator, insofar as it allows us to observe and detect the impact of changes in financial variables on the portfolios.

Lastly, due to their atypical nature, derivatives and credit trading management (actively traded credit – Trading Book) activities are controlled by assessing specific measures on a daily basis. In the case of derivatives, these measures are sensitivities to fluctuations in the price of the underlying (delta and gamma), in volatility (vega) and in time (theta). For credit trading management activities, the measures controlled include sensitivity to spread, jump-to-default and position concentrations by rating level.

With respect to the credit risk inherent in the trading portfolios (Credit Trading portfolios), and in keeping with the recommendations made by the Basel Committee of Banking Supervision, an additional measure has been introduced, the Incremental Default Risk (IDR), in order to cover the default risk which is not properly captured in the VaR, through the variation of the related market prices of credit spreads. The instruments affected are basically fixed-income bonds, , derivatives on bonds (forwards, options, etc.) and credit derivatives (credit default swaps, asset-backed securities, etc.). The method used to calculate the IDR, is defined globally at Group level.

Balance-sheet management

Interest rate risk

The Bank analyses the sensitivity of the net interest margin and market value of equity to changes in interest rates. This sensitivity arises from maturity and interest rate repricing gaps in the various balance sheet items.

On the basis of the balance-sheet interest rate position, and considering the market situation and outlook, the necessary financial measures are adopted to align this position with that desired by the Bank. These measures can range from the taking of positions on markets to the definition of the interest rate features of commercial products.

The measures used by the Bank to control interest rate risk in these activities are the interest rate gap, the sensitivity of net interest margin (NIM) and market value of equity (MVE) to changes in interest rates, the duration of capital, value at risk (VaR) and scenario analysis.

a) Interest rate gap of assets and liabilities

The interest rate gap analysis focuses on the mismatches between the interest reset periods of on-balance-sheet assets and liabilities and of off-balance-sheet items. This analysis facilitates abasic snapshot of of the balance sheet structure and enables concentrations of interest rate risk in the various maturities to be detected. Additionally, it is an useful tool for estimating the possible impact of potential changes in interest rates on the entity's net interest margin and market value of equity.

The flows of all the on-and off-balance-sheet aggregates must be broken down and placed at the point of repricing or maturity. The duration and sensitivity of aggregates that do not have a contractual maturity date are analyzed and estimated using an internal model.

b) Net interest margin (NIM) sensitivity

The sensitivity of the net interest margin measures the change in the expected accruals for a specific period (12 months) given a shift in the interest rate curve.

The sensitivity of the net interest margin is calculated by simulating the margin both for a scenario of changes in the interest rate curve and for the current scenario, the sensitivity being the difference between the two margins so calculated.

c) Market value of equity (MVE) sensitivity

The sensitivity of the market value of equity is a complementary measure to the sensitivity of the net interest margin.

This sensitivity measures the interest rate risk implicit in the market value of equity based on the effect of changes in interest rates on the present values of financial assets and liabilities.

d) Value at risk (VaR)

The value at risk for balance sheet aggregates and investment portfolios is calculated by applying the same standard as that used for trading: historical simulation with a confidence interval of 99% and a one-day time horizon. Statistical adjustments were made to enable the swift and efficient incorporation of the most recent events that condition the level of risk assumed.

Liquidity risk

Liquidity risk is associated with the Bank's ability to finance its commitments at reasonable market prices and to carry out its business plans with stable sources of funding. The Bank permanently monitors maximum gap profiles.

The measures used to control liquidity risk in balance sheet management are the liquidity gap, liquidity ratios, stress scenarios and contingency plans.

a) Liquidity gap

The liquidity gap determines the inflow and outflow of funds for assets, liabilities and off-balance sheet accounts at a given time horizon, making it possible to analyze mismatches between the Bank's expected inflow and outflow of funds.

A liquidity gap may be prepared and analyzed as divided into local currency liquidity gap and foreign currency liquidity gap, under which cash and cash equivalents, inflows and outflows and strategies are segregated into local and foreign currency, respectively.

The Bank prepares three types of Liquidity Gap analyses:

1 - Contractual liquidity gap

The Contractual Liquidity Gap determines the contractual maturity flows of the Bank's major products on a consolidated basis, and any existing mismatches. It also informs the available liquidity in one day and the consumption of or increase in liquidity in the period.

2 - Operational liquidity gap

Daily cash monitoring and management considering the market situation, maturities and renewal of assets and liabilities, liquidity requirement and specific events.

3 - Projected liquidity gap

Based on the Contractual Liquidity Gap, new maturity flows are projected considering the Bank's budget plan.

b) Liquidity ratios

In addition to the Liquidity Gap analysis, a Structure Liquidity model is also prepared to assess the structure profile of the sources and uses of the Bank's funds, which includes Liquidity Ratio studies.

The key Liquidity Ratios analyzed are as follows:

- Deposits / Lending operations – measures the Institution's ability to finance lending operations with more stable and lower-cost funding.
- Stable Liabilities / Permanent Assets – measures the ration between Capital + Other Stable Liabilities and Investments + Other Permanent Assets.
- Market Funding / Total Assets – measures the percentage of the Group's assets financed with less stable and higher-cost funding.
- Short-term market funding / Market Funding – measures the percentage of probable liquidity loss (less than 90 days) on total less stable funding.
- Net Assets / Short-term Market Funding – measures the commitment ratio of highly-liquid assets and probable liquidity loss(less than 90 days).

c) Scenario analysis / Contingency plan

Liquidity management requires an analysis of financial scenarios where possible liquidity issues are evaluated. For this, crisis scenarios are built and then studied. The model used for this analysis is the Liquidity Stress Test.

The Liquidity Stress Test assesses the institution's financial structure and ability to resist and respond to the most extreme situations.

The purpose of the Liquidity Stress Test is to simulate adverse market conditions, making it possible assess impacts on the institution's liquidity and payment ability, so as to take preventive actions or avoid positions that may adversely affect liquidity in worst-case scenarios.

Scenarios are determined based on an analysis of the market commitment during prior crises and future estimates. Four scenarios with different intensity levels are prepared.

Based on an analysis of the stress models, the Minimum Liquidity concept was determined, which is the minimum liquidity required to support the liquidity losses of up to 90% for 90 days in all crisis scenarios simulated. Based on the results obtained through the Liquidity Stress Test, the Bank prepares its Liquidity Contingency Plan, which is a formal combination of preventive and corrective actions to be taken in liquidity crisis scenarios.

The Liquidity Contingency Plan is primarily intended to the following:

- Crisis identification – the preparation of a Liquidity Contingency Plan requires the determination in advance of a measurable parameter determining the institution's liquidity condition and structure. This parameter is the Liquidity Minimum Limit determined by the Liquidity Stress Test. When this limit is exceeded, there is a liquidity crisis environment, and thus, the Contingency Plan is used.
- Internal Communication – after the crisis is identified, it is necessary to establish clear communication channels to mitigate the problems raised. People held accountable for taking these contingency actions should be notified of the extent of the contingency and measures to be taken.
- Corrective actions – Actions intended to actually generate the funds required to solve or mitigate the effects of crisis, as follows:
  - Assess the type and severity of the crisis;
  - Identify the most impacted segment;
  - Put in practice the measures planned to generate funds, considering the required amount and cost of the additional resource, either financial or image cost.

ALCO reviews and approves stress models, Minimum Liquidity and Contingency Plan on a semi-annual basis.

If adverse market conditions occur, ALCO may review and approve new models, Minimum Liquidity and Contingency Plan on a need basis.

Structural foreign currency risk / Hedges of results / Structural equities risk

These activities are monitored by measuring positions, VaR and results.

Complementary measures

Calibration and test measures

Back-testing consists of performing a comparative analysis between VaR estimates and daily "clean" results (profit or loss on the portfolios at the end of the preceding day valued at following-day prices). The aim of these tests is to verify and provide a measure of the accuracy of the models used to calculate VaR.

Back-testing analyses performed at the Santander Bank comply, at the very least, with the BIS recommendations regarding the verification of the internal systems used to measure and manage financial risks. Additionally, the Santander Bank also conducts hypothesis tests: excess tests, normality tests, Spearman's rank correlation, average excess measures, etc.

The assessment models are regularly calibrated and tested by a specialized unit.

III.3. Control system

Limit setting

The limit setting process is performed together with the budgeting activity and is the tool used to establish the assets and liabilities available to each business activity. Limit setting is a dynamic process that responds to the level of risk considered acceptable by senior management.

The limits structure requires a process to be performed that pursues, inter alia, the following objectives:

1. To identify and delimit, in an efficient and comprehensive manner, the main types of financial risk incurred, so that they are consistent with business management and the defined strategy.
2. To quantify and communicate to the business areas the risk levels and profile deemed acceptable by senior management so as to avoid undesired risks.
3. To give flexibility to the business areas for the efficient and timely assumption of financial risks, depending on market changes, and for the implementation of the business strategies, provided that the acceptable levels of risk are not exceeded.
4. To allow business makers to assume risks which, although prudent, are sufficient to obtain the budgeted results.
5. To delimit the range of products and underlyings with which each Treasury unit can operate, taking into account features such as assessment model and systems, liquidity of the instruments involved, etc.

III.4. Risks and results in 2009

Trading

The average VaR of the Bank's trading portfolio in 2009, at R$ 33.4 million and R$ 62.7 million for 2008. The dynamic management of this profile enables the Bank to change its strategy in order to capitalize on the opportunities offered by an environment of uncertainty.

A. Balance sheet management [1]

A1. Interest rate risk Convertible currencies

At 2009 year-end, the sensitivity of the net interest margin at one year to parallel increases of 100 basis points applied to Santander Brazil (Santander plus Real) portfolios was concentrated on the BRL interest rate curve was negative by R$ 199.74 million, and dollar interest rate curve was negative by R$ 28.67 million.

Also at 2009 year-end, the sensitivity market value of equity to parallel increases of 100 basis points applied to the Santander Brasil in the BRL interest rate curve was negative by R$1,093.25 million. With respect to the dollar curve, the sensitivity was negative by R$33.83 million.

Quantitative risk analysis

The interest rate risk in balance sheet management portfolios, measured in terms of sensitivity of the net interest margin (NIM) at one year to a parallel increase of 100 b.p. in the interest rate curve, of the Santander Brasil evolved in the third quarter of 2009, with the capture in the open market, reaching a maximum of R$269.6 million in September. reducing this level since the months following the balance-sheet. The sensitivity of value evolved from the third quarter in conjunction with the growth of the balance sheet, set up by the inflow of capital and in this period varied in the range of R$1,078.76 million and R$1,137.25 million.

At 2009 year-end, the risk consumption, measured in terms of an increase in 100 b.p. sensitivity of the MVE with Santander Brasil was negative R$1,093.77 million, while the net interest margin risk at one year, measured in terms of an increase in 100 b.p. sensitivity of this margin, was negative R$201.79 million.

	MM BRL Dec 09
Sensitivity	
Net interest margin	201,79
Market Value	1,093,77
Balance Sheet Management	
VaR	396,56

[1] Includes the balance sheet total, except for the financial assets and liabilities held for trading.

A2. Structural liquidity management

Structural liquidity management seeks to finance the Bank's recurring business with optimal maturity and cost conditions, avoiding the need to assume undesired liquidity risks. The main features of the structural liquidity management in 2009 were as follows:

- Ample structural liquidity position. Since Santander is basically a commercial bank, customer deposits constitute the main source of liquidity in its financing structure. These deposits, combined with capital and other similar instruments, enable the Bank to cover most of its liquidity requirements and, as a result, the financing raised in wholesale markets is moderate with respect to the size of its balance sheet.
- In Brazil, the legal reserve requirement takes a considerable part of the funding.
- Obtainment of liquidity through diversification in instruments. Additionally, subordinated and senior debts have an overall long maturity.
- The local balance sheet should be self-funded.
- Based on stress test results, a minimum liquidity buffer is maintained.
- Santander reliance in international funding is not considerable.
- The aim is that hard currency related activities be funded with third parties hard currency funding.
- Though, given that potential disruptions in this market, Santander Brazil has mechanisms to use the local liquidity in order to support hard currency activities.
- High capacity to obtain on-balance-sheet liquidity. Government bond positions are held for liquidity management purposes.
- The Bank performs control and management functions, which involves planning its funding requirements, structuring the sources of financing to achieve optimum diversification in terms of maturities and instruments, and defining contingency plans.

In practice, the liquidity management performed by the Bank consists of the following:

- Each year, a liquidity plan is prepared on the basis of the financing needs arising from the budgets of each business.

Based on these liquidity requirements and taking into account certain prudential limits on the obtainment of short-term market financing, the Bank establishes an issue and securitization plan for the year.

- Throughout the year the Bank periodically monitors the actual changes in financing requirements and updates this plan accordingly.
- Control and analysis of liquidity risk. The primary objective is to guarantee that the Bank has sufficient liquidity to meet its short-and long-term financing requirements in normal market situations. To this end, the Bank employs certain balance-sheet control measures, such as the liquidity gap and liquidity ratios.

Simultaneously, various scenario (or stress-scenario) analyses are conducted which consider the additional requirements that could arise if certain extreme but plausible events occur. The aim pursued is to cover a broad spectrum of situations that are more or less likely to affect the Bank, thus enabling it to prepare the related contingency plans.

IV. Operational and Technological Risks and Business Continuity Management

The adequate management and control of operational risks are among the competitive drivers for the Santander Brazil . In the Bank's ongoing endeavor to ensure the effectiveness of its internal control system and to prevent and mitigate operational risk events and losses, it is necessary to adopt, maintain and disseminate an operational risk management culture, policies and framework.

The mission statement for the Operational Risk Unit reflects this concern:

"The Unit is responsible for implementing and disseminating the culture, policies and framework necessary to ensure that all employees are actively committed to adequately managing and controlling operational risks, technological risks and business continuity while maintaining the effectiveness of the internal control system. It is in this manner that the area contributes to attaining the objectives of both the Santander Brazil and its stakeholders."

Through its operational risk management practices and its operational processes, the Santander Brazil strives to continually rank among the top financial institutions recognized as having the best practices. As such, the Bank's processes contribute to achieving its strategic objectives while at the same time continually enhancing its soundness, reliability and reputation in both the domestic and international markets.

In alignment with external supervisory and regulatory bodies, the Santander Brazil defines operational risk events as those resulting from deficiencies or failures in internal processes, people and systems, in additional to those resulting from external events. An operational risk event may or may not result in financial losses, affect business continuity, or have an adverse effect on stakeholders.

The Santander Brazil has adopted a well defined model to meet the challenges that operational and technological risks present. Risk management for daily activities falls under the aegis of the functional units. At the same time, the following organizational structure is part of the Bank's corporate governance framework:

- Operational Risk Executive Committee
- Operational Risk Unit
- Information Security Department
- Special Occurrences Department
- Fraud Prevention and Intelligence Department
- Operational and Technological Risks Department

Operational and Technological Risks Department

The Operational and Technological Risks Department is responsible for implementing best practices for the management and control of operational risks, technological risks and business continuity. The department assists managerial and operational staff in meeting their strategic objectives, strengthening the robustness of the decision-making process, optimizing execution of daily activities, in addition to complying with regulatory obligations. Overall, the joint effort results in maintaining the Bank's soundness, reliability and reputation.

The foundations of the operational and technological risk management and control model combine two approaches: centralized and decentralized.

Centralized Approach

As per the centralized approach, the Operational and Technological Risks Department is responsible for the control of operational and technological risks. Departmental responsibilities include: identify, assess, capture, monitor, control, analyze, consolidate, model and assist in mitigating not only relevant operational risks but also loss events resulting from operational and technological risks. The scope of the Department's responsibility comprises organizational units, processes and entities belonging to the Santander Brazil.

Decentralized Approach

As per the decentralized approach, each individual organizational unit along with the corresponding managers is responsible for operational and technological risk management. Internal Control and Operational Risk Agents in conjunction with the Operational and Technological Risks Department provide support through policies, methodologies and tools.

The Santander Brazil strives to integrate and consolidate best practices for operational risk management and control. In conjunction with the centralized and decentralized management approaches, the Bank adopts complementary approaches. Such additional practices are based on qualitative and quantitative elements, technological risk management and control, and business continuity management.

Qualitative and Quantitative Approaches

The objective of the qualitative approach is to identify and mitigate the materialization of operational risk. Moreover, through qualitative analysis, risk profiles are determined for departments, processes and products. The goal is to strengthen the internal control environment and monitor corporate key risk indicators.

The quantitative and qualitative approaches correlate. The quantitative approach aids in detecting, remedying and mitigating operational risk. In addition, quantitative techniques provide tools for analysis and decision-making whether strategic or operational.

The main methodological tools for the qualitative and quantitative approaches are as follows:

- Operational and technological risk matrix
- Abridged operational and technological risk matrix for new products
- Abridged operational and technological risk matrix for new products
- Self-assessment questionnaires
- Internal historical database for operational risk events and losses
- Projecting forecasts and monitoring limits for operational risk losses
- Analysis and treatment of operational risk failures and events, including corrective action plans
- Key risk indicators for operational risks

By combining the qualitative and quantitative approaches, the Bank optimizes operational, technological and business continuity risk management. Consequently, this reflects on economic and regulatory capital requirements.

Technological Risk Management and Control

With regards to technological risks, the responsibility is to assist managers in identifying and evaluating risks and the respective internal controls as they specifically pertain to information technology (IT) processes and activities. The scope of activities comprises defining methodologies, tools and systems for corporate technological risk management in addition to coordinating efforts with IT managers to prevent and reduce the frequency and severity of technological risk events.

Business Continuity Risk Management and Control

With regards to business continuity management, the responsibility is to coordinate and control the implementation, maintenance and upkeep of the methodology as it pertains to the Santander Brazil. Key elements of the methodology are:

- Business Impact Analysis
- Business Continuity Plan: Development and Simulation
- Crisis Response Group

Scope and Sustainability

By acting in an ethical and professional manner, risk management and control result in important achievements that contribute to the continuity of the Institution and its sustainable development. Accomplishments include:

- Improved operational efficiency, productivity enhancements, optimized economic and regulatory capital allocations.
- Strengthening the Bank's reputation and improving the stakeholders' risk versus reward relationship.
- Timely compliance with new regulatory requirements.
- Preserve the quality and reliability of the product and service offering
- Timely correction of vulnerabilities identified in processes.
- Timely follow-up and compliance with specific regulatory requests.
- Acculturation of risk management awareness and accountability.
- Develop and deliver both on-line and face-to-face training programs.
- Create awareness of operational risk management and control through internal communication channels.

This framework allows the Bank to continuously improve its methodologies and to embed a cultural awareness throughout the Organization with respect to the responsibility for managing and controlling operational risk.

Differential

The Operational Risk Unit maintains its staff professionally up-to-date and trained to face a changing business environment. Moreover, the Unit offers both Intranet and face-toface training programs to other staff members throughout the Bank.

Noteworthy accomplishments include:

- Annual Operational and Technological Risk Prevention and Control Week.
- Integration program for new employees, consisting of lectures that focus on each individual's responsibility within the context of operational risk management.
- Training on how to assess the internal control environment.
- Elaborate, publish and maintain policy manuals that reinforce cultural awareness and employee involvement in operational risk management practices.
- Coordinate the annual operational risk loss forecast, identify action plan initiatives to reduce losses and improve accountability.
- Develop key risk indicators to obtain data for absolute and comparative analysis based on volumes and benchmarks.
- Interact with other units throughout the Bank and elect representatives within the most risk-prone areas including Information Technology.

Outlook

Based upon the framework, methodologies, and modus operandi that are in place, the Santander Brazil aims to strengthen its position both locally and internationally. As such, the Bank strives to consolidate its strategy and remain in the forefront of operational, technological and business continuity risk management and control. Further substantiating this claim is the implementation of not only an efficient and effective internal control environment but also a risk exposure identification process.

Key accomplishments and additional information, such as the establishment of the Operational Risk Executive Committee, have been published since December 2008 in Annual Reports and Consolidated Financial Statements, which can be found at www.ri.santander.com.br.

V. REPUTATIONAL RISK

1. Reputational Risk

Santander (Brazil) believes that the fundamental precept of its long-term business sustainability and shareholder value creation requires proper conduct of the business activities in accordance with Santander Corporate Values.

Compliance risk has been defined as the risk of legal or regulatory sanctions, material financial loss, or reputational harm Santander (Brazil) may suffer as a result of its failure to comply with relevant laws, regulations, principles and rules, standards and codes of conduct applicable to its activities, in letter and in spirit.

Santander (Brazil) defines reputational risk as a risk arising from negative public opinion, irrespective of whether this opinion is based on facts or merely on public perception. Such risk can result from either:

- Actions and behaviour of the organization or its staff like products sold, services provided or interactions with stakeholders, which constitutes direct risk.

- Actions and behaviour of external parties, which constitutes indirect risk.

2. Organization and independence of the Compliance function

A key component of risk management is to ensure that the bank's reputation is preserved and enhanced through selecting to engage responsibly in the right business, with the right clients.

The Compliance Department is responsible for assisting the bank to identify, measure and mitigate a significant part of the compliance risk but not in its entirety. Other key stakeholders in the process include the Supervisory Board, Senior Management, Finance Department, Human Resources, Risk Department and Legal.

The compliance function within the bank is the independent oversight on behalf of senior management of those core processes and related policies and procedures that seek to ensure the bank is in conformity with industry-specific laws and regulations in letter and spirit, thereby helping to maintain the bank's reputation.

3. Directives

a. Compliance principles – Ethics and Conduct in the Securities Markets

The Bank's ethical principles and conduct parameters are established in internal policies which are made available and formally adhered to by all employees. Proper communication channels are in place to clarify doubts and complaints from staff, and monitoring and controls are conducted in a way that adherence is secured.

b. Anti-money laundering

The Bank's anti-money laundering policies are based on the knowledge and rigorousness in the acceptance of new clients, complemented by the continuous scrutiny of all transactions entered into by the bank. The importance given to the theme is reflected on the direct involvement of higher management, namely the Executive Committee for AML and Compliance, which meets each trimester to deliberate on issues regarding the theme and to be directly involved with new clients acceptance and suspicious transactions reporting.

c. New products and services and suitability

All new products and services are debated/analyzed in internal committees on several levels until their risks are completely minimized, the Global Committee of New Products (CNGP), integrated by senior executives of Santander (Spain), being the ultimate approval instance.

VI. COMPLIANCE WITH THE NEW REGULATORY FRAMEWORK

The Santander Bank has assumed from the outset a firm commitment to the principles underlying the "Revised Framework of International Convergence of Capital Measurement and Capital Standards" (Basel II). This framework allows entities to make internal estimates of the capital they are required to hold in order to safeguard their solvency against events caused by various types of risk. As a result of this commitment, the Santander Bank has devoted all the human and material resources required to ensure the success of the Basel II implementation plan. For this purpose, a Basel II team was created in the past, consisting of qualified professionals from the Bank's different areas: mainly Risks, Technology and Operations, the Controller's Unit, Financial Management, Internal Audit –to verify the whole process, as the last layer of control at the entity–, and Business –particularly as regards the integration of the internal models into management Additionally specific work teams have been set up to guarantee the proper management of the most complex aspects of the implementation.

Supplementing the efforts of the Basel II operating team, Santander Bank senior management has displayed total involvement from the very beginning. Thus, the progress of the project and the implications of the implementation of the New Capital Accord for the Santander Bank have been reported to the management committee and to the board of directors on a regular basis.

In the specific case of credit risk, the implementation of Basel II entails the recognition, for regulatory capital purposes, of the internal models that have been used for management purposes.

The Bank intends to apply, over the next few years, the advanced internal ratings-based (AIRB) approach under Basel II for substantially all its banks, until the percentage of net exposure of the loan portfolio covered by this approach is close to 100%.

Given the medium-low risk profile characterizing Santander's business activities, since it focuses primarily on commercial banking (corporations, SMEs and individuals), and the significant diversification of the Bank's risk and business profiles will enable it to offset the additional capital requirements arising from the Internal Capital Adequacy Assessment Process (presented under Pillar 2), which takes into account the impact of risks not addressed under Pillar 1 and the benefits arising from the diversification among risks, businesses and geographical locations.

In addition to the supervisory validation and approval process, the Santander Bank continued in 2009 with the project for the progressive implementation of the technology platforms and methodological developments required for the roll-out of the AIRB approaches for regulatory capital calculation purposes. Therefore, the Bank expects to apply advanced approaches for the calculation of regulatory capital requirements at its business units in Brazil in 2013, after the required approval from the supervisory authorities has been obtained.

As regards the other risks explicitly addressed under Pillar 1 of Basel II, the Santander Bank is developing internal model for market risk with respect to the Treasury area's trading activities in Brazil. It is expected that Banco Santander Brazil presents the application in the 2nd. Semester of 2010 to regulators in order to use internal models to calculate regulatory capital. As far as operational risk is concerned, the Bank decided to use the standardized approach for regulatory capital calculation purposes, since it considers that the use of AMA approaches for this risk is somewhat premature.

Pillar 2 is another significant line of action under the Basel II Corporate Framework. In addition to reviewing and strengthening the methodology supporting the economic capital model, the technology was brought into line with the platform supporting Pillar 1, so that all the information on credit risk will come from this source when Brazil implement internal models under Pillar 1. In 2008 the Santander Bank's economic capital model was submitted to a thorough review by an international team of CEBS supervisors led by the Bank of Spain, in addition to the internal review conducted at the end of 2008 by the Bank's internal validation and internal audit teams.

Internal validation of risk models

Internal validation is a pre-requisite for the supervisory validation process. A specialized unit of the Entity, with sufficient independence, obtains a technical opinion on the adequacy of the internal models for the intended internal or regulatory purposes, and concludes on their usefulness and effectiveness. This unit must also assess whether the risk management and control procedures are adequate for the Entity's risk strategy and profile.

In addition to complying with the regulatory requirement, the internal validation function provides an essential support to the risk committee and the local risk committees in the performance of their duties to authorize the use of the models (for management and regulatory purposes) and in their regular reviews, since senior management must ensure that the Entity has appropriate procedures and systems in place for the monitoring and control of credit risk.

Internal model validation at the Santander Bank encompasses credit risk models, market risk models, option pricing models and the economic capital model. The scope of the validation includes not only the more theoretical or methodological aspects, but also the technology systems and the quality of the data they provide, on which their effective operation relies, and, in general, all the relevant aspects of advanced risk management (controls, reporting, uses, involvement of senior management, etc.). Therefore, the aim of internal validation is to review quantitative, qualitative, technological and corporate governance-related aspects.

The internal validation function is located, at corporate level, within the Integrated Risk Control and Internal Risk Validation area (CIVIR) and reports directly to head office (the third deputy chairman of the Bank and to the chairman of the risk committee) in Madrid. This function is performed at a global and corporate level in order to ensure uniformity of application. The need to validate models implemented at thirteen different units subject to nine different local supervisors, combining efficiency and effectiveness, made it advisable to create three corporate validation centers located in Madrid, London and Sao Paulo. This facilitates the application of a corporate methodology that is supported by a set of tools developed internally by the Santander Bank which provide a robust corporate framework for application at all the Bank's units and which automate certain verifications to ensure efficient reviews.

It should be noted that the Santander Bank's corporate internal validation framework is fully consistent with the internal validation criteria for advanced approaches issued by the Bank of Spain. Accordingly, the Bank maintains the segregation of functions between internal validation and internal audit, which, in its role as the last layer of control at the Bank, is responsible for reviewing the methodology, tools and work performed by internal validation and for giving its opinion on the degree of effective independence.

Capital Management

The Bank's capital management is performed at regulatory and economic levels.

Regulatory capital management is based on the analysis of the capital base and the capital ratios using the criteria of Brazilian Central Bank. The aim is to achieve a capital structure that is as efficient as possible in terms of both cost and compliance with the requirements of regulators, ratings agencies and investors. Active capital management includes securitizations, sales of assets, preference and subordinated issues of equity instruments and hybrid instruments.

From an economic standpoint, capital management seeks to optimize value creation at the Bank and at its different business units. To this end, the economic capital, RORAC (return on risk-adjusted capital) and value creation data for each business unit are generated, analyzed and reported to the management committee on a quarterly basis. Within the framework of the internal capital adequacy assessment process (Pillar 2 of the Basel Capital Accord), the Bank uses an economic capital measurement model with the objective of ensuring that there is sufficient capital available to support all the risks of its activity in different economic scenarios, with the solvency levels agreed upon by the Bank.

In order to adequately manage the Bank's capital, it is essential to estimate and analyze future needs, in anticipation of the various phases of the business cycle. Projections of regulatory and economic capital are made based on reference to the budgetary information (balance sheet, income statement, etc.) and on macroeconomic scenarios defined by the Economic Research Service. These estimates are used by the Bank as a reference to plan the management actions (issues, securitizations, etc.) required to achieve its ilcapital targets.

In addition, certain stress scenarios are simulated in order to assess the availability of capital in adverse situations. These scenarios are based on sharp fluctuations in macroeconomic variables, GDP, interest rates, stock market indexes, etc. that mirror historical crises that could happen again.

VII. ECONOMIC CAPITAL

Main objectives

The emergence of economic capital models across the financial world was aimed at addressing a fundamental problem of regulatory capital. Risk Sensitiveness. The latter is mandatory and has been defined by regulators in a one-size-fits-all manner for comparison purposes.

By contrast, economic capital models are primarily designed to yield risk sensitive estimations with two objectives in mind: managing risk more accurately and allocating the cost of maintaining regulatory capital among different units within the organisation.

Taking into consideration the importance of developing risk sensitive capital models, Santander Brazil has been making all the efforts to build a robust economic capital model and integrate it fully in the management of the business.

The main objectives of Santander's Economic capital framework are:

1 – Consolidate Pillar II and other risks impinging business activities into a single quantitative model, as well as fine tune capital estimations by establishing correlations between the different risks;

2 – Quantify and monitor variations on different types of risk;

3 – Distribute capital consumption for the main portfolios and manage its return on capital efficiency (RoRAC);

4 – Estimate the Economic Value Added for each business unit in order to assess performance targets and improve the shareholder's return. The Economic profit must surpass the group's Cost of Capital;

5 – Compliance with the home and host regulators in the process of the supervisory review of Pillar II.

The Model

When calculating economic capital the Bank must decide the levels of losses it wants to cover. This is defined by the level of confidence with which it wants to ensure the continuation of its business. Santander's adopted confidence level is at 99.97% which is considerably above the 99.90% required by Basel II. This basically means that Santander assumes a probability of default of 0.03%, three times lower than the 0.1% proposed by Basel II.

As a result of its prudent economic capital model, Santander meets the criteria for receiving a global AA rating.

Brazil's Risk profile

The risk profile of Brazil is distributed by the following types of risks:

	% Capital
	Dec 09
Risk	
Credit	68.6%
Market	4.1%
ALM	10.4%
Business	10.4%
Operational	8.1%
TOTAL	**100%**

The Credit activity, which in Dec 2009 required 68,6% of Brazil's economic capital, continued to be the main source of risk. This was followed by ALM, Business and Operational Risk respectively.

Business risk has very conservative Beta factors which are applied to General Business Expenses. Operational Risk uses as its basis the Standardised approach. As such, it applies Beta factors to the Gross Income which is and it is very punitive for countries with high spreads.

	Dec 08	Jun 08	Dec 09	Jun 09
Risk				
Credit	73.70%	73.10%	68.60%	69.80%
Market	1.80%	4.20%	4.10%	6.70%
ALM	7.20%	6.70%	10.40%	7.00%
Business	10.30%	8.50%	8.80%	8.60%
Operational	7.00%	7.50%	8.10%	7.70%
TOTAL	**100%**	**100%**	**100%**	**100%**

*The Economic Capital model did not include data of Banco Real for Jun 08. In order to include both banks a proxy was used for estimating the number.
** A forecast has been used for Dec 09.

The estimated RoRAC (risk adjusted return) for Dec 09 is 22.91%.

Santander Brazil periodically assesses the level and evolution of the creation of value (EVA) of its main business units. The EVA is the profit generated above the cost of capital employed, and is calculated using the following formula:

EVA=RoRAC – Cost of Capital

RoRAC=Economic Profit/Economic Capital

The economic profit is obtained by making some necessary adjustments to the Net profit. The cost of capital, which is the minimum remuneration required by the shareholders, can be calculated by adding to the risk free return , the premium that shareholders require to invest in Santander. The model currently in use is the CAPM.

Santander also conducts capital planning based on stress test scenarios with the purpose of obtaining future projections of economic and regulatory capital. Results forecasts for the Bank are incorporated into the various scenarios in a coherent way, including their strategic objectives (organic growth, M&A, pay-out ratio, debt issues, etc). Possible capital management strategies are identified to enable the Bank's solvency and return on capital to be optimised.

Despite the fact that the economic capital estimations yield conservative numbers, Santander is in a very comfortable position. The bank has 95% more capital than the economic capital requirement. As for the regulatory capital the bank has 108% more capital. (It does not consider the goodwill effect).

RoRAC

Santander has been using RoRAC since 1993, with the following purposes:

1. To analyse and set a minimum price for operations (admissions) and clients (monitoring);
2. To estimate the capital consumption of each client, economic groups, portfolio or business segments in order to optimize the allocation of economic capital thus maximising the bank's efficiency;
3. To calculate the level of provisions that correspond to average expected losses.

For assessing each transaction the economic capital takes into consideration some variables in order to calculate the Expected and Unexpected losses.

Amongst these variables it is taken into consideration:

1 – Counterparty rating;

2 – Maturity;

3 – Guarantees;

4 – Type of financing;

The return on capital is determined by the cost of capital. In order to create value for the shareholders the minimum return that a transaction must yield must be higher than Santander's cost of capital. A transaction which does not cover the cost of capital is not approved.

VIII. TRADING BOOK SENSITIVITY ANALYSIS

From a local regulatory point of view, Banco Santander's trading 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 the dates specified on each table and does not necessarily reflect the current position, in view of the market dynamics and the Bank's activities.

	Santander Group Brazil Trading Book Sensitivity					
in thousand of BRL	**Dec 08**			**Dec 09**		
Risk Factor	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 1**	**Scenario 2**	**Scenario 3**
IR USD	(1,092)	14,279	96,598	4,727	36,066	169,130
IR Other Currency	(1,198)	(11,981)	(59,903)	(4,025)	(40,251)	(201,256)
Fixed Rate (BRL)	(3,354)	(33,536)	(167,681)	(3,640)	(36,401)	(182,006)
Cash Equity & Equity Index	3,812	9,529	19,058	(565)	(1,411)	(2,823)
Inflation	(1,809)	(18,086)	(90,431)	465	4,654	23,272
Other	(3,609)	(36,091)	(180,455)	(2)	(23)	(114)
TOTAL	**(7,250)**	**(78,886)**	**(382,814)**	**(3,040)**	**(37,366)**	**(193,797)**

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 an upward shock of 10 basis points on the local and foreign currencies coupon curves, plus a shock of 10% on the currency rates (upwards) and stock market (downwards) spot prices, and an upward shock of ten basis points on the volatility surface of currencies used to price options.

Scenario 2: corresponds to an upward shock of 100 basis points on the local and foreign currency coupon curves, plus a shock of 25% on the currency rates (upwards) and stock market (downwards) spot prices, and an upward shock of 100 base points on the volatility surface of currencies used to price options.

Scenario 3: corresponds to an upward shock of 500 basis points on the local and foreign currency coupon curves, plus a shock of 50% on the currency rates (upwards) and stock market (downwards) spot prices, and an upward shock of 500 basis points on the volatility surface of currencies used to price options.

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

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

Fixed rate (BRL) -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.

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

45. Supplementary information – Reconciliation of shareholders' equity and net income of the Bank (Not required under IFRS for the year ended December 31, 2009, 2008 e 2007)

Following the Brazilian Securities Commission (CVM) Instruction 457/7 from 13/07/07, we present a reconciliation of shareholders' equity and net income attributed to the parent between Brazilian GAAP and IFRS, for each of the periods presented, below:

		Thousands of Reais	
	Note	2009	2008
Shareholders' equity attributed to the parent under Brazilian GAAP		**64,492,693**	**48,756,557**
IFRS adjustments, net of taxes:			
Pension plan discount rate	e	(174,218)	(179,343)
Classification of financial instruments at fair value through profit or loss	f	19,440	43,675
Redesignation of financial instruments to available-for-sale	a	555,104	552,854
Impairment on loans and receivables	b	960	(234,300)
Accounting under equity method	c	(15,078)	(5,970)
Deferral of financial fees, commissions and inherent costs under effective interest rate method	g	217,205	174,116
Reversal of goodwill amortization and others	h	3,424,772	376,766
Mark to market of foreign currency forward	i	(30,186)	(11,069)
Impairment losses of other financial assets	j	31,773	32,200
Impairment losses on non financial assets	d	17,439	1,542
Realization on purchase price adjustments	k	727,101	315,992
Other		(1,600)	8,179
Shareholders' equity attributed to the parent under IFRS		**69,265,405**	**49,831,199**
Minority interest under IFRS		1,338	5,279
Shareholders' equity (including minority interest) under IFRS		**69,266,743**	**49,836,478**

	Note	2009	2008	2007
				Thousands of Reais
Net income attributed to the parent under Brazilian GAAP		**1.805.899**	**1.580.614**	**1.845.396**
IFRS adjustments, net of taxes:				
Pension plan discount rate	e	5,125	6,966	12,501
Classification of financial instruments at fair value through profit or loss	f	(6,687)	34,015	9,660
Redesignation of financial instruments to available-for-sale	a	(15,243)	49,260	(11,220)
Accounting under equity method	c	-	(16,897)	(758)
Deferral of financial fees, commissions and inherent costs under effective interest rate method	g	43,089	(39,716)	71,898
Reversal of goodwill amortization and others	h	3,030,122	376,766	-
Impairment on loans and receivables	i	235,260	27,720	(25,080)
Mark to market of foreign currency forward	j	(19,117)	(11,069)	-
Impairment losses of other financial assets	d	(427)	32,200	-
Impairment losses on non financial assets	k	15,897	13,332	2,310
Realization on purchase price adjustments		411,109	315,992	-
Other		2,579	9,212	(1,708)
Net income attributed to the parent under IFRS		**5,507,606**	**2,378,395**	**1,902,999**
Minority interest under IFRS		358	231	-
Net income (including minority interest) under IFRS		**5,507,964**	**2,378,626**	**1,902,999**

a) Redesignation of financial instruments to available-for-sale:

Under BR GAAP, the Bank accounts for certain investments in debt securities at amortized cost and equity instruments at cost. Under IFRS, the Bank has classified these investments as available-for-sale, measuring them at fair value with the changes recognized in consolidated statements of recognized income and expense, under the scope of IAS 39 "Financial Instruments: Recognition and Measurement".

b) Impairment on loans and receivables:

Under IFRS, based on the guidance provided by IAS 39 "Financial Instruments: Recognition and Measurement", the Bank estimates the allowance for loan losses based on historical experience of impairment and other circumstances known at the time of assessment. Such criteria differs in certain aspects, to the criteria adopted under BR GAAP, which uses certain regulatory limits defined by the BACEN for purposes of allowance for loan losses calculation.

c) Accounting under equity method:

Under Brazilian GAAP, investments in certain associates are accounted for at cost, as they do not meet the criteria, under these accounting principles, to be accounted for using the equity method. Such criteria include total ownership of at least 10% and the relevance of the investment in the associate in relation to the investor's total equity. Under IFRS, in accordance with IAS 28 "Investments in Associates", an investment in an associate which the investor has significant influence, even if less than 20% of ownership, is accounted for using the equity method of accounting. In accordance to Resolution CMN No. 3.619, BR GAAP has been amended to converge with the guidance provided by IAS 28.

d) Impairment losses on non financial assets:

Under BR GAAP, impairment losses on certain tangible assets relating to the Bank's branches were recognized during the year ended December 31, 2008 as a result of the adoption of CPC 01, "Reduction in the Recoverable Value of Assets." CPC 01 changed the methodology used in BR GAAP to converge to IFRS (IAS No. 36, "Impairment of Assets."). Prior to the issuance of CPC 01, the Bank grouped together certain branch assets when evaluating for recoverability. Under IFRS, the Bank evaluates these assets for impairment at the level of each individual branch, in which for the Bank represents a cash generating unit in accordance with IAS 36 "Impairment of Assets".

e) Pension plan discount rate:

Under BR GAAP, the discount rate used for benefit obligations reflects the nominal interest rate. Under IFRS, in accordance with IAS 19 "Employee Benefits", the rate used to discount post-employment benefit obligations was determined by reference to market yields at the end of the reporting period on high quality bonds.

f) Classification of financial instruments at fair value through profit or loss:

Under BR GAAP, all loans and receivables and deposits are accounted for at amortized cost. Under IFRS, the Bank designated certain loans and receivables and deposits as "fair value through profit or loss", in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". Additionaly, certain debt instruments classified as "available for sale" under BR GAAP were designated as "fair value through profit or loss" under IFRS. The Bank has selected such classification basis as it eliminates an accounting mismatch in the recognition of income and expenses.

g) Deferral of financial fees, commissions and inherent costs under effective interest rate method:

Under IFRS, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", financial fees, commissions and inherent costs that are integral part of effective interest rate of financial instruments measured at amortized cost are recognized in profit or loss over the term of the corresponding contracts. Under BRGAAP these fees and expenses are recognizes directly at income when received or paid.

h) Reversal of goodwill amortization and others:

Under BR GAAP, goodwill is amortized systematically over a period of up to 10 years and the goodwill recorded is measured annually or whenever there is any indication that the asset may be impaired. Under IFRS, in accordance with IAS 38 "Intangible Assets", goodwill is not amortized, but instead, is tested for impairment, at least annually, and whenever there is an indication that the goodwill may be impaired; by comparing its recoverable amount with its carrying amount. The goodwill amortization is a permanent difference deductible for taxes matters and therefore there is no record of deferred tax liability.

i) Mark to Market of Foreign Currency Forward:

Under IFRS, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", foreign currency forward contracts are derivatives that are recorded at fair value. Under BR GAAP, these contracts are recorded at amortized cost.

j) Impairment losses of other assets:

Under IFRS, the Bank estimated the impact of accounting for allowance other assets, which is different, in certain aspects, to the criteria adopted under BR GAAP.

k) Realization on purchase price adjustments:

As part of the purchase price allocation, following the requirements of IFRS 3, the Bank has revalued its assets and liabilities to fair value, including identifiable intangible assets with finite lives. Under BR GAAP, in a business combination, the assets and liabilities are not remeasured to their related fair values. Therefore, this adjustment relates to the following items:

- The amortization related to the step up in the value of assets in the loan portfolio in relation to its book value: As the value of the loans were adjusted to fair value, this causes an adjustment to the yield curve of the related loans in comparison to its nominal value, which is offset pro-rata with this adjustment.
- The amortization of the identified intangible assets with finite lives over their estimated useful lives (over 10 years).The amortization of the identified intangible assets with finite lives over their estimated useful lives (over 10 years).

46. Subsequent Events

Anticipated Redemption of Subordinate CDB

On January 22, 2010, the Bank redeemed in advance the Subordinate CDB (bank certificate of deposit), whose creditor was Banco Santander Espanha, with original maturity on March 25, 2019 and amounting to R$1,507,000 thousand, pursuant to authorization granted by the Central Bank of Brazil on January 8, 2010.

The purpose of the antecipated redemption was to improve the funding structure of the Bank, accordingly to the strategy informed in the use of proceeds of the "Final Global Offering Prospect for the Initial Public Offering of Certificates of Deposit Shares (Units) Issuance of Banco Santander (Brasil) S.A" and Form F-1.

Association with Getnet

On January 14, 2010, the Bank signed the contractual and by-law documents instruments with Getnet Tecnologia em Captura e Processamento de Transa ›es Eletr™nicas Hua Ltda. ("Getnet") to jointly explore, explore, develop and market transaction capture and processing services involving credit and/or debit cards in the Brazilian market. The details of this alliance and its business plan will be presented by the end of the first quarter.

APPENDIX I – SUBSIDIARIES OF BANCO SANTANDER (BRASIL) S.A.

Thousands of Reais		Participation %			
	Activity	Direct	Indirect	Stockholders' equity	Net Income (Losses)
Direct and Indirect controlled by Banco Santander (Brasil) S.A.					
Santander Seguros S.A. [5]	Insurance and Pension Plans	100.00%	100.00%	2,360,554	340,600
Santander S.A. Corretora de Câmbio e Títulos	Broker	99.99%	100.00%	246,393	66,519
Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A.	Asset manager	100.00%	100.00%	237,661	35,913
Banco BANDEPE S.A. [1]	Bank	100.00%	100.00%	4,015,044	349,539
Santander Leasing S.A. Arrendamento Mercantil [2]	Leasing	78.57%	99.99%	11,720,578	1,056,756
Aymoré Crédito, Financiamento e Investimento S.A.	Financial	100.00%	100.00%	685,460	62,518
Santander Administradora de Consórcios Ltda.	Buying club	100.00%	100.00%	3,809	172
Santander Brasil Administradora de Consórcio Ltda. [3]	Buying club	100.00%	100.00%	92,925	38,470
Real Microcrédito Assessoria Financeira S.A.	Microcredit	100.00%	100.00%	9,616	3,053
Santander Advisory Services S.A. [4]	Other Activities	100.00%	100.00%	131,902	13,867
Companhia Real Distribuidora de Títulos e Valores Mobiliários	Dealer	100.00%	100.00%	82,625	6,596
Santander Corretora de Câmbio e Valores Mobiliários S.A. [6]	Broker	99.99%	100.00%	40,200	1,762
Real Argentina S.A.	Other Activities	98.99%	98.99%	53	(123)
Webmotors S.A.	Other Activities	100.00%	100.00%	40,762	11,743
Agropecuária Tapirapé S.A.	Other Activities	99.07%	99.07%	6,797	355
Real CHP S.A.	Holding	92.78%	92.78%	4,112	3,614
Controlled by Santander Seguros S.A.					
Santander Brasil Seguros S.A. [5]	Insurance and Pension Plans	-	100.00%	144,634	14,859
Santander Capitalização S.A. [5]	Savings and annuities	-	100.00%	386,870	138,222
Controlled by Companhia Real Distribuidora de Títulos e Valores Mobiliários.					
Santander Securities (Brasil) Corretora de Valores Mobiliários S.A.	Broker	-	100.00%	67,784	5,030
Controlled by Santander Advisory Services S.A.					
Santander S.A. Serviços Técnicos, Administrativos e de Corretagem de Seguros	Insurance	-	100.00%	63,762	11,162
Real Corretora de Seguros S.A.	Insurance	-	100.00%	63,792	47,162
Brazil Foreign Diversified Payment Rights Finance Company	Securitisation	-	(a)	67	-

[a] Company over which effective control is exercised.
[1] Current denomination of Banco de Pernambuco S.A. -BANDEPE.
[2] Current denomination of Real Leasing S.A. Arrendamento Mercantil.
[3] Current denomination of ABN AMRO Administradora de Consórcio Ltda.
[4] Current denomination of ABN AMRO Advisory Services S.A.
[5] Consolidated companies with income from July 2009.
[6] Current denomination of ABN AMRO Real Corretora de Câmbio e Valores Mobiliários S.A.

BR GAAP Financial Statements

Consolidated Financial Statements prepared in accordance with Brazilian accounting standards.

BR GAAP Financial Statements

Dear Stockholders,

We present herein the Management Report and Individual and Consolidated Financial Statements of Banco Santander (Brasil) S.A. (Banco, Banco Santander or Santander) related to the financial period ending December 31, 2009, prepared in accordance with accounting practices established by Brazilian Corporate Law and the standards of the National Monetary Council (CMN), the Central Bank of Brazil (BACEN), the Brazilian Securities and Exchange Commission (CVM), the National Council of Private Insurance (CNSP) and the Superintendence of Private Insurance (Susep), when applicable.

Banco Santander (Brasil) S.A., indirectly controlled by Banco Santander S.A., headquartered in Spain (Banco Santander España), is the leading global institution of the financial and non-financial groups before the Bacen. After the corporate restructuring (share merger) in August 2008, Banco ABN AMRO Real S.A. and ABN AMRO Brasil Dois Participações S.A. and their respective subsidiaries (Banco Real Conglomerate) were integrated into financial and economic-financial Santander Conglomerates.

Presentation of Financial Statements

The consolidated financial statements of Santander for the period ended December 31, 2009 include the balance sheet and income and expense information of Banco Real Conglomerate, while the consolidated financial statements for the same period in 2008 consider Banco Real's results of operations, since August 2008.

For a better understanding of changes in Santander's financial statement, given the integration of Banco Real Conglomerate by the Santander Group, Santander's proforma financial information, including the consolidation of Banco Real Conglomerate for 2009 and 2008, is being disclosed.

This information is supposed to permit additional analysis of the balances and transactions for better comparability and evaluation of income, stockholders' equity and operational indices. Santander's pro-forma financial information does not represent the results that might have been obtained had the merger of shares taken place in prior periods, nor does it constitute Santander's financial statements or are indicative of future results.

The following assumptions were adopted in preparing the pro-forma financial information:

1. Goodwill generated on the acquisition of Banco Real Conglomerate and the related amortization has not been considered in property and equipment, net income and stockholders' equity.

2. Net income for the periods ended December 3a, 2009 and 2008 include income earned by the Banco Real Conglomerate and disregard the non-recurring income or expenses related to the sale of ownership interests, goodwill amortization and related tax effects, when applicable.

Santander Pro-Forma Statement of Income

			In in millions of Brazilian Reais
	Santander Consolidated Pro Forma (unaudited)		% change
	12M09	12M08	dec-09 vs. dec-08
Revenue from financial intermediation before allowance for loan losses	**24,024**	**18,847**	**27.5%**
Allowance for loan losses	(9,918)	(6,950)	42.7%
Gross profit from financial operations	**14,106**	**11,897**	**18.6%**
Income from services, banking fee and insurance	7,675	8,100	-5.2%
Administrative expenses	(12,182)	(12,823)	-4.8%
Tax expenses	(2,457)	(2,080)	18.1%
Other income (expenses)	(2,771)	(2,335)	18.7%
Net income	**4,361**	**2,759**	**58.1%**

Santander's pro-forma net income for 2009 totaled R$4,361 million, compared to the R$2,759 million for the prior year. The net income shows a favorable evolution of the commercial business results and the effort over the costs control.

The allowances for loan losses represented 6.7 percent of the credit portfolio for 2009, over 4.9 percent in 2008. The allowance for loan losses grew 42.7 percent in 2009 over the prior year. This increase is mainly due to the expansion in lending operations, as well as the increase in default, resulting from the social and economic situation in the local and international markets.

Administrative expenses totaled R$12,192 million in 2009, a decline of 4.9 percent compared to 2008, reflecting our cost control effort.

Santander Pro-Forma Statement of Income

			In in millions of Brazilian Reais
	Santander Consolidated Pro Forma (unaudited)		% change
	Dec-09	**Dec-08**	**dec-09 vs. dec-08**
Current and long-term assets	**312,422**	**308,577**	**1.2%**
Cash and interbank investments	35,798	42,354	-15.5%
Securities and derivatives	79,691	55,824	42.8%
Lending operations	142,019	139,410	1.9%
Allowance for loan losses	(9,463)	(6,868)	37.8%
Other assets	64,377	77,857	-17.3%
Permanent assets	**6,250**	**6,468**	**-3.4%**
Total assets	**318,672**	**315,045**	**1.2%**
Current and long-term liabitilites	**277,831**	**291,525**	**-4.7%**
Deposits	113,473	123,987	-8.5%
Moneymarket funding	34,612	30,932	11.9%
Funds from acceptance and issuance of securities	10,737	10,559	1.7%
Borrowing and onlendings	21,203	25,530	-16.9%
Other payables	97,806	100,517	-2.7%
Stockholder´s equity	**40,841**	**23,520**	**73.6%**
Total liabilities and stockholders´equity	**318,672**	**315,045**	**1.2%**

Santander's pro-forma total assets totaled R$318,672 million in December, 2009, a 1.2 percent increase as compared to December 2008. Of this amount, R$142,019 million is represented by the credit portfolio, R$79,691 million by securities and derivatives, mainly federal government securities, and R$35,798 million by cash and Inter-Bank investments and available assets.

Santander Credit Portfolio

	In in millions of Brazilian Reais		
	Santander Consolidated		% change
	Dec-09	**Dec-08**	**dec-09 vs. dec-08**
Legal Entities	73,125	75,391	-3.0%
Individuals	63,805	58,417	9.2%
Payroll loans	7,956	7,207	10.4%
Credit cards	8,472	6,980	21.4%
Real estate loans	5,226	4,468	17.0%
Personal credits (1)	42,151	39,762	6.0%
Rural Credit	5,089	5,602	-9.2%
Total	**142,019**	**139,410**	**1.9%**

In 2009 lending operations kept in line with 2008. The highlight was loans to individuals, which rose 9.2 percent when comparing in the same year. In this segment the other highlights were credit card transactions, which expanded 21.4 percent; payroll loans grew 10.4 percent and Real estate loans with 17.0 percent.

The deposits lessened compared to the previous year, representing an amount of R$113,473 millions in 2009.

Santander Deposits

	In in millions of Brazilian Reais		
	Santander Consolidated		% change
	Dec-09	**Dec-08**	**dec-09 vs. dec-08**
Deposits			
Demand deposits	14,787	14,730	0.4%
Saving deposits	25,217	20,643	22.2%
Interbank deposits	764	1,904	-59.9%
Time deposits	72,154	86,231	-16.3%
Other deposits	551	479	15.0%
Total	**113,473**	**123,987**	**-8.5%**

[1]Includes lease/vehicle financing in the amount of R$23,956 (2008 -R$22,936).

Global Offering of Shares

The Board of Directors' meeting held on September 18, 2009 approved the implementation of the Global Offering, which includes the issue of 525,000,000 (five hundred twenty-five million) Units, all registered shares, without par value, free and clear of any liens or encumbrances, each representing one of 55 common shares and 50 preferred shares, all registered shares with no par value, free and clear of any liens or encumbrances, consisting of the simultaneous initial public offering of, (i) of Units in Brazil (Brazilian Offering), on the over-the-counter, in accordance with CVM Instruction 400/2003, and (ii) Units abroad, including in the form of ADRs representing ADSs registered with the U.S. Securities and Exchange Commission (SEC) under the Securities Act of 1933 the United States of America.

The same meeting approved the Bank listing and the trading of Units, common shares and preferred shares in BMF&Bovespa stock exchange's Level 2 Corporate Governance Practices.

The Global Offering was coordinated on a firm guarantee of settlement. Under the Article 24 of CVM Instruction 400/2003, the total number of Units/ADSs initially offered in the Global Offering (excluding the Additional Units, as defined below) could be increased up to 6.85 percent, up to 35,955,648 Units, including in the form of ADSs under the same conditions and at the same price of the Units/ADSs initially offered (Supplemental Units), according to option sanctioned by Credit Suisse Securities (USA) LLC, designed to meet a possible excess of demand over the Global Offering (Supplemental Option).

Under the Article 14, paragraph 2 of CVM Instruction 400, the total number of Units initially offered (not including the Supplemental Units) could be but was not, in agreement with the Underwriters, be increased by up to 4.76%, i.e., up to 25,000,000 Units, including the form of ADSs under the same conditions and at the same price initially offered the Units (Additional Units).

The Brazilian Offering was directed in the Retail Offer, to Non-Institutional Investors and the Institutional Offer to Institutional Investors.

On October 6, 2009, the Global Offering shares were priced at R$23.50 per Unit. The Units are traded on the BMF&Bovespa stock exchange and the New York Stock Exchange (NYSE) since October 7, 2009.

Other characteristics and terms of the Global Offering are evidenced in the Global Public Offering Prospectus for the primary issuing of American Depositary Shares (Units), from October 6, available under www.santander.com.br, and at the CVM website and also at SEC website.

On October 29, 2009 the Brazilian Central Bank ratified Banco Santander capital increase related to the Global Offering and the partial exercise of the Supplemental Option of October 29, 2009.

The results of the Global Offering were disclosed as required by the closure of the Add published at Valor Econômico Newspaper of November 10, 2009.

Corporate Restructuring

- Banco ABN AMRO Real S.A. (Banco Real) and ABN AMRO Dois Participações S.A. (AAB Dois Par)

On July 24, 2008, Banco Santander Spain took indirect share control of the companies of the ABN AMRO Real Conglomerate 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 Bacen.

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; (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 thousand.

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 rationalizing and simplifying the equity structure of the companies of the Santander Group 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 incorporation of the shares was ratified by the Bacen on January 27, 2009.

- Merger of Banco Real and Sudameris Distribuidora de Títulos e Valores Mobiliários S.A. (Sudameris DTVM)

On April 14, 2009, the executive committees of Banco Real and Sudameris Distribuidora de Títulos e Valores Mobiliários S.A. (Sudameris DTVM) approved and decided to submit to the approval of their respective stockholders the "Merger Agreement of Sudameris Distribuidora de Títulos e Valores Mobiliários S.A. by Banco ABN AMRO Real S.A.".

On the same date, the executive committees of Banco Santander and Banco Real approved and decided to submit to the approval of the Board of Directors of Santander and its respective stockholders the corporate restructuring proposal as set out by the "Merger Agreement of Banco ABN AMRO Real S.A. by Banco Santander S.A." (The Agreement).

The Mergers were carried out through the transfer of the book net assets of the Merged Companies to the equity of the Merger, based on the audited balance sheets as of March 31, 2009. Changes in equity occurring between the date of said balance sheets and the completion of the Mergers, on April 30, 2009 (date of the Extraordinary Shareholders' Meetings that approve the Mergers) were recognized and recorded directly by the Acquirers.

As the Mergers involved wholly-owned subsidiaries, (i) determining a share exchange ratio; (ii) defining withdrawal rights; (iii) increasing the capital of Banco Santander and Banco Real, and (iv) changing the voting, dividend or any other equity or corporate rights to which the stock issues by Banco Santander is currently entitled were not necessary as a result of these transactions.

- Merger of shares Santander Seguros S.A. (Santander Seguros), Banco Commercial e de Investimento Sudameris S.A. (BCIS) and Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A. (Santander Brasil Asset)

The Extraordinary Stockholders' Meeting held on August 14, 2009, of Banco Santander, Santander Seguros S.A. (Santander Seguros), Banco Commercial e de Investimento Sudameris S.A. (Banco BCIS), and Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A. (Santander Brasil Asset) was approved the corporate restructuring proposal pursuant to the terms and conditions of the "Agreement and Plan of Merger of Shares of Santander Seguros S.A., Banco Commercial e de Investimento Sudameris S.A. and Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A. into the Equity of Banco Santander (Brasil) S.A." (The Merger Agreement).

The Merger Agreement establishes the reasons and conditions for the corporate restructuring consisting of the merger of all the shares of Santander Seguros, BCIS and Santander Brasil Asset into the equity of Santander (Share Merger). As a result of the Share Merger, Santander Seguros, Banco BCIS and Santander Brasil Asset (Merged Companies) were transformed into whollyowned subsidiaries of Banco Santander (Merging Company), under Article 252 of Law 6404/76 and the stockholders' equity of Banco Santander was increased in the amount of R$2,471,413 thousand to the corresponding value of the shares of

Santander Seguros, the BCIS and Santander Brasil Asset, through the issuance of 14,410,886 shares (7,710,343 ordinary shares and 6,700,543 preferred shares), all registered shares with no par value, delivered to the respective shareholders of the Merged Companies.

The balance sheets of Banco Santander, Santander Seguros, Banco BCIS and Santander Brasil Asset as of June 30, 2009 consist of the basic balance sheets of the Share Mergers.

Due to this transaction consists of a share merger, as set out in Law, the legal personality of the merged companies was maintained and the changes in equity subsequent to the date of their balance sheets were properly recorded in their accounting books.

- Merger of BCIS and ABN AMRO Administradora de Cartões de Crédito Ltda. (AA Cartões)

At the meetings held on July 28, 2009, the executive committees of BCIS and Banco Santander and the partners' meeting of AA Cartões, were approved and decided to submit to the approval of their stockholders the corporate restructuring proposal pursuant to the terms and conditions of the "Agreement and Plan of Merger of Shares of Banco Commercial e de Investimento Sudameris S.A. and ABN AMRO Administradora de Cartões de Crédito Ltda by Banco Santander (Brasil) S.A."

The merger was carried out through the transfer of the book net assets of the Merged Companies to the equity of the Merging Company, based on the audited balance sheets as of June 30, 2009. Changes in equity occurring between the date of said balance sheets and the completion of the mergers (date of the corresponding Extraordinary Stockholders' Meetings that approve the mergers) were recognized and recorded directly by the Merging Company.

- Full spin-off of Santander Investimentos em Participações (Santander Participações) with the transfer of its equity to Banco Santander and Santander Advisory Services S.A.

At the meetings held on July 28, 2009, the executive committees of Banco Santander, Santander Participações, and Santander Advisory Services S.A.(Advisory) approved and decided to submit to the approval of their stockholders and the Board of Directors of Banco Santander the corporate restructuring proposal pursuant to the terms and conditions of the "Spin-off Agreement and Plan of Santander Investimentos em Participações S.A., with transfer of all its Equity to Banco Santander (Brasil) S.A. and Santander Advisory Services S.A." (The Spin-off Agreement).

The Spin-off Agreement established the reasons and conditions of the corporate restructuring consisting of the full spin-off of Santander Participações (the Spun-off Company), with the termination and the transfer of its equity to Banco Santander and Advisory (Spin-off).

Under the Spin-off Agreement, the stockholders' equity of the Spun-off Company was appraised based on the balance as of June 30, 2009. As a result of the Spin-off (a) the Spun-off Company was terminated; (b) all assets, rights, liabilities, obligations and liabilities of the Spun-off Company related to the spun-off net assets were automatically and respectively transferred to the net assets of Banco Santander and Advisory, which became the successors of all its rights and obligations related to the spun-off net assets.

The changes in equity of each, spun-off net assets, occurring from the balance sheet date to the date the transaction (August 31, 2009), which was the day when the Extraordinary Stockholders' Meeting approved the full spin-off, were was appropriately and respectively recorded in the books and other accounting documents of Banco Santander and Advisory. This process and being ratified by Bacen.

Other reorganizations of Banco Santander´s controlled companies

Still related to part of the social restructuring process of the Conglomerate companies, several reorganizations were implemented within Banco Santander´s controlled companies:

- Incorporation of AAB Dois Par and Real Seguros Vida e Previdência S.A. (current denomination of Real Tokio Marine Vida e Previdência S.A.) by Santander Seguros S.A.. The incorporation and denomination alteration are been ratified by Susep;
- Incorporation of Real Capitalização S.A. by Santander Capitalização S.A., which is being ratified by Susep;
- Incorporation of Cruzeiro Factoring Sociedade de Fomento Commercial Ltda. and Credicenter Empreendimentos e Promoções Ltda. by AA Cartões;
- Incorporation of Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda. by Santander

Brasil Asset, which is being ratified by Bacen;

- Incorporation of ABN AMRO Arrendamento Mercantil S.A. by Santander Leasing S.A. Arrendamento Mercantil, ratified by Bacen on November 30, 2009;
- Incorporation of Santander Brasil Arrendamento Mercantil S.A. by Santander Leasing S.A. Arrendamento Mercantil, which is being ratified by Bacen;
- Incorporation of Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários by Santander S.A. – Corretora de Câmbio e Títulos, wich is being ratified by Bacen;
- Parcial spin-off of Santander Corretora de Câmbio e Valores Mobiliários S.A. with transfer of the net assets to Santander S.A. – Corretora de Câmbio e Títulos, still being ratified by Bacen.

The corporate restructuring mentioned above, represent steps in the process of consolidating the investments in Brazil, with a consequent strengthening of its operational structure and organizational unification of their activities.

Economic Scenario

Recent economic indicators have confirmed the continuance of economic growth. The relaxing of credit restrictions, the reduction in interest rates and, most of all, the increased confidence of the business community are signs that the crisis is history.

The GDP in third quarter, 2009, reported in December, was 1.3% higher than in the previous quarter. This performance still reflects the recovery in the industry, but the weak performance of the agricultural sector hampered growth. The biggest highlight, however, is the recovery of investments, which grew by 6.5% over the previous quarter. In the job market, unemployment rate reached 7.4% in November, continuing its trajectory of growth that began after March when it reached its peak of 9.0%during the crisis.

Inflation has a positive trend and ended 2009 at 4.3%. The low food prices and weak industrial activity enabled the basic interest rate (Selic) to remain at its lowest of 8.75% till the end of 2009.

As for the external accounts, the balance of payments in the 12 months through December recorded an improvement, mainly due to the inflow of financial investments, a strong sign of increased confidence in the Brazilian economy.

This has been one of the factors behind the Real's appreciation, which was R$ 1.74/US$ at the end of the fourth quarter of 2009, 2.0% up over the previous quarter.

The maintenance of high foreign reserves, which totaled US$ 239 billion in December 2009, also contributed to a better perception of Brazil.

Total credit in the national financial system continues its recovery trend, especially in the personal loan segment. In December, the credit/GDP ratio was 45,0%, the highest in 15 years.

Individual loans continued to bounce back, thanks to the lower interest rates and the improvement in consumer confidence. Payroll-deductible loans are still the key component of the individual loan portfolio (mainly due to their volume and quality), but real estate loans have drawn attention due to the solid growth rates recorded so far. Corporate loans have begun showing signs of recovery, positively contributing to the increase in free credit. However, the scenario is not entirely back to normal, as underlined by the default level and the reduction in average terms, indicating that companies are borrowing little for investments.

In general terms, the sound health of the economy and the financial system were fundamental for minimizing the effects of the crisis on Brazil. The maintenance of solid fundamentals reduced the country's vulnerability and this scenario should drive business growth in the banking industry.

Performance

As a result of the previously-mentioned corporate restructuring, and in accordance with prevailing legislation, Santander's balance sheet and statement of income are being presented compared to the data reported in the same related prior periods, which do not encompass Banco Real's assets, liabilities and income and expenses for the first eight months of 2008; therefore, any analysis of development of financial information is limited.

1. Net Income

Santander posted net income of R$1,806 million for 2009, including the expense of R$2,877 related mainly to goodwill from Banco Real acquisition, profits from sold investments, compensated by credit provisions and contingencies reinforcements.

2. Assets and Liabilities

Total consolidated assets amounted to R$342,324 million as of December 31, 2009. Of this amount, R$142,019 million is represented by the credit portfolio, R$79,621 million by securities and derivatives, mainly federal government securities, and R$30,174 million by interbank investments.

Santander currently holds R$839 million of securities classified as "held to maturity" and has the financial capacity and intention to do so.

Shareholders' Equity

Santander's stockholders' equity totaled R$64,493 million as at December, 2009.

In October, 2009, due to the Global Offering Banco Santander Share Capital increased 560.955.648 Units, totaling R$12.989 million, after issuing expenses. In Extraordinary Stockholders' Meeting held in August, 2009, it was approved the increase of the Share Capital by R$2.471 million, by means of issuing 14,410,886 thousand shares, (7,710,343 thousand common shares and 6,700,543 thousand preferred shares), related to Santander Seguros, Santander Brasil Asset and BCIS shares incorporation. In 2009, Santander´s Management Committee approved the Border of Directors proposal of distributing dividends and interest on capital according to the table below. The amount of the intermediate and intercalary dividends and interest on capital are added up to the obligatory dividends and the payment date is February 22, 2010, disregarding any additional amounts due to bringing the amounts up to date.

	In Thousands of Brazilian Reais [5]	Brazilian Reais per Thousands of Shares / Units		
		Common	**Preferred**	**Units**
Interest on capital based on interim net income for the period of December 31, 2009 [1]	340,000	0,9974	1,0972	n.a.
Interest on capital based on interim net income for the period of December 31, 2009 [2]	285,000	0,8361	0,9197	n.a.
Intermediate Dividends for the period of December 31, 2009 [3]	327,400	0,7839	0,8623	86,2271
Intercalary Dividends for the period of December 31, 2009 [3]	422,600	1,0118	1,1130	111,2999
Interest on capital based on interim net income for the period of December 31, 2009 [3] [4]	200,000	0,4789	0,5267	52,6738
Total in December 31, 2009	**1,575,000**			

[1] Approved bythe ManagementCommittee in April,2009.Common shares -R$0.8478 e Preferred shares -R$0.9326,aftertaxes.
[2] Approved bythe ManagementCommittee in June,2009.Common shares -R$0.7107 e Preferred shares -R$0.7817,aftertaxes.
[3] Approved bythe ManagementCommittee in December,2009.
[4] Common shares -R$0.4070 e Preferred -R$0.4477, after taxes e Units R$44.7728.
[5] The amountrelated to the intermediate dividends,intercalarydividendsand intereston capitalare fullyinputintothe mandatorydividends,whichwill bepaid onFebruary22,2010, without anyadditional amount for monetaryfor monetarycorrection.

The Bank's regulatory capital is measured based on the Basel II Standardized Approach and considers: (a) Credit Risks – capital requirement portion for exposed assets and credit commitments, both weighted by a risk factor, considering the risk mitigation through the use of guarantees; (b) Market risks – capital requirement portions for exposures related to the fluctuations in foreign currency interest rates, price indices, and interest rates; the prices of commodities and shares classified in the trading portfolio; and interest rates not classified in the trading portfolio; and (c) Operational risks –requirement of a specific capital portion.

The Basel II ratio, which is calculated in a consolidated manner and reached 25.5 percent, less goodwill in minimum regulatory capital, as required by the international rule.

Strategy

Banco Santander's goal is to be the best bank in Brazil in terms of profitability and brand recognition, and win the satisfaction of clients, shareholders and employees. Banco Santander seeks to be a relationship bank and, based on sustainable practices, the main bank for its retail and wholesale clients by serving them with its complete product portfolio. It believes that it can achieve these goals through the following strategies:

- Improve operating efficiency by benefiting from integration synergies and implementing best practices: Banco Santander will continue seeking ways to further improve its operating efficiency and margins. The Bank intends to maintain investment discipline and direct resources to areas that generate improvements in its client management and increase its revenues.
- Expand product offering and distribution channels in Commercial Banking: Banco Santander intends to further increase its business and operations throughout Brazil, expanding its Commercial Banking services to existing and prospective retail customers. The Bank plans to offer new products and services to existing customers based on each customer's profile.
- Capitalize on the Bank's strong market position in the wholesale business: Banco Santander provides multinational corporations present in Brazil and local companies, including those with operations abroad, with a wide variety of financial products, utilizing its worldwide network to serve its customers' needs with customized solutions. The Bank intends to further focus on its strong worldwide position as a client relationship wholesale bank, in line with the Santander Group's worldwide strategy for the Global Wholesale Banking segment.
- Further develop a transparent and sustainable business platform: the Bank will maintain a commitment to economic, social and environmental sustainability in its procedures, products, policies and relationships. Banco Santander will continue building durable and transparent relationships with its customers through understanding their needs and designing its products and services to meet those needs.
- Continue growing the Bank's insurance business: Banco Santander intends to continue growing its insurance business, particularly bancassurance. The Bank expects to increase its presence within the insurance segment by leveraging on its strong branch network and client base, particularly in the South and Southeast, to cross sell insurance products with the corporations within the country.

In line with its aspirations of becoming the leading multiple service bank in Brazil and to prepare itself for the new cycle of economic growth in Brazil, Banco Santander held the nation's biggest public share offering ever in October 2009.

The Bank plans to use the funds raised through the Offering to expand its presence through the inauguration of new branches and increase its credit operations, thus increasing its market share. Santander will also allocate a portion of the funds to streamline its funding structure. It is worth highlighting here that on January 22, 2010, the Bank carried out the premature redemption of the Bank Deposit Certificate, maturing on March 25, 2019, amounting to R$ 1.5 billion.

Integration

The year 2009 was decisive for the integration process. Important stages were completed, which brought gains in synergies that exceeded initial expectations.

New products, services and functionalities were added tothe daily lives of our clients, combining improved technology, efficiency, flexibility and innovation, in addition to greater advantages and convenience. The objective was to extract in all the stages of the process, the best that each bank has to offer. Several changes brought immediate benefits to clients and enabled us to leverage our businesses right from the time they were implemented.

The integration process is moving according to schedule. Important stages were completed in 2009, relating to the unification of the back office, wholesale banking (GB&M), corporate banking, companies, private banking, integration of the ATMs for key banking operations and the legal merger of Banco ABN AMRO Real S.A. with Banco Santander (Brasil) S.A.

In terms of products, the launch of improved Santander Master and Real Master products was a milestone in this process as it brought together the best ideas of each bank in a single product offered to the clients of both banks.

Notable among the initiatives taken in the fourth quarter are:

- Integration of the brokerages.
- Unification of the customer service models, reducing the involvement of branches in operational routines.
- Shared offering of products in the two networks. E.g.:

Flex Card.

- Offering of Van Gogh services to Santander's high income clients.
- Unification of the administrative offices at the Torre Santander, which began in November 2009 and is scheduled for completion in February 2010.
- Definition of the commercial model and implementation of a unique way of operations that focuses on closer relations with clients, business efficiency and a balance between results, productivity and quality.
- Unified platform for insurance offerings (personal accident, residential and auto insurance), with additional insurance partners (Marítima and SulAmerica).

Another area integrated in the Santander network in 2009 was microcredit, which is targeted at small business.

Going forward, we will focus on completing the implementation of gaps and projects to enable us to plan and conduct the tests before the systems are fully migrated, thus concluding the integration process with the complete unification of the networks. We are also preparing the Change Management Plan, which will train and orient employees for the integration of the Real and Santander networks in order to maintain or even improve the service standard and the level of service provided to clients.

Main Subsidiaries

As of December 31, 2009, Aymoré Crédito, Financiamento e Investimento S.A. has reached R$22,577 million in total assets, R$10,603 million in credit operation portfolio and R$685 million of stockholder´s equity. Net income for the period was R$63 million.

As of December 31, 2009, Santander Leasing S.A. Arrendamento Mercantil (current denomination of Real Leasing S.A. Arrendamento Mercantil) reported total assets of R$52,264 million, a lease portfolio of R$12.993 million, and stockholders' equity of R$11,721 million. Net income for the period was R$1,057 million.

As of December 31, 2009, Santander S.A. Corretora de Câmbio e Títulos reported total assets of R$778 million and stockholders' equity of R$246 million. Net income for the period was R$67 million.

As of December 31, 2009, Santander Asset Management Distribuidora de Títulos e Valores Mobiliários S.A. (current denomination of ABN AMRO Asset Management Distribuidora de Títulos e Valores Mobiliários S.A.), reported total assets of R$300 million, stockholders' equity of R$238 million, and net income for the period was R$31 million.

As of December 31, 2009, Banco Bandepe S.A. reported total assets of R$4,105 million and stockholders' equity of R$4,015 million. Net income for the period was R$350 million.

As of September 30, 2009, Santander Seguros S.A. reported total assets of R$19,153 million and stockholders' equity of R$2,399 million and technical reserve for insurance, pension plan and capitalization transactions of R$15,856. Net income for the period was R$264 million.

Rating Agencies

Santander is rated by international rating agencies and the ratings it receives reflect its operational performance and the quality of its management.

Santander		Long Term	Short Term
	Support		2
Fitch Ratings	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
Moody's	National Scale	Baa3	P-3
	Local Currency	A2	P-1
	Foreign Currency	Aaa.br	Br-1

Credit Risk Management

The Bank develops Credit Risk Management policies and strategies based on processes conducted by several functions with the power to set operating limits, and reduce and control risk levels.

The functions responsible for credit risk management allow for an appropriate validation of the internal systems and procedures used in credit risk management. These systems and procedures are applied to the identification, measurement, control, and mitigation of exposure to credit risk, by individual transaction or aggregate of similar transactions.

The specialization of our risk function is organized on the basis of the type of customer to distinguish between customers under individualized management and standardized customers.

Collection of documentation and information necessary for a comprehensive analysis of the risk involved, the identification of the decision-maker, the counterparty, the risk involved in the transactions, the classification of the risk level into different categories, credit granting, periodic assessments of risk levels; these procedures are applied by the Bank to determine the volumes of guarantees and allowances necessary so that lending transactions are conducted according to existing standards and with the necessary security. Policies, systems and procedures used are reassessed annually to ensure they are consistent with the risk management requirements and current market scenarios.

The profile of the credit risk assumed by us is typified by customer diversification and the large volume of retail transactions. Macroeconomic aspects and market conditions, as well as industry and geographical concentration, customer profiling, and economic prospects are also assessed and considered for the appropriate measurement of the credit risk.

Market Risk

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.

Santander operates according to global policies, within the Group's risk tolerance level, aligned with the objectives in Brazil and in the world. With this purpose, it has developed its own Risk Management model, according to the following principles:

- Independence of the risk function from business areas;
- Support for business in achieving commercial goals by maintaining the independence of the Risk Vice President's Division. The organizational structure that manages risk is adapted to the commercial structure and ensures business and risk managers cooperate;
- Collective decision-making (including at the branch level), which ensures a variety of opinions are heard and results not based on decisions made solely by individuals;
- Use of tools for internal rating and scoring, such as return on risk-adjusted capital (RORAC), Value at Risk (VaR), economic capital, analysis of extreme scenarios, etc.;
- Global focus through an integral treatment of all risk factors in all business units, and the utilization of economic capital as a homogeneous metric for the risk exposure and the basis for measuring management; and
- Set and achieve medium-low risk profiles as a target, and maintain their low volatility and predictable nature through: (i) a high degree of risk diversification by limiting concentrations in customers, groups, industries, products

and geographies; (ii) reducing the degree of complexity in market activity; (iii) continuous tracking of risks to prevent possible deterioration of portfolios;

- Analyzing the social and environmental risks of businesses and projects financed by the Bank.

The Market Risks structure is part of the Vice Presidency of Credit and Market Risks, an independent area that aligns risk policies taking into consideration the guidelines of the Board of Directors and the Risks Division of the Santander Group in Spain.

Corporate Governance of the Risk Function

The risk committee framework of Santander Brazil is set based on corporate risk standards. Brazil Executive Risk Committee (Comitê Executivo de Riscos Brasil) has their level of approvals delegated by the Risk Committee of Banco Santander in Spain and have the following responsibilities set out in weekly meetings:

- Ensure to the Bank's management that local policies are implemented and followed consistently with existing corporate standards;
- Authorize the local management tools and risk models, as well as be familiar with the results of the internal validation;
- Ensure that Santander Brasil's actions are consistent with the risk tolerance level previously decided by the Santander Group in Spain;
- Know, assess and monitor the observations and recommendations periodically formulated by the supervisory authorities in discharging their functions;
- Resolve transactions that are beyond the powers delegated to lower management bodies, as well as the global limits of pre-classification of corporate groups or in relation to exposures by classes of risk.

The Executive Risk Committee delegates some of its powers to the risk committees, which are structured by business line and type and class of risk. The risk function at the Santander Brasil is performed through an Executive Risk Unit, which is independent from the business areas from both a hierarchical and a functional standpoint, and reports directly to the CEO of Santander Brasil and the Chief Risk Officer of the Santander Group in Spain.

Further details of the structure, methodologies and control systems are provided annual report, available on the website www.santander.com.br.

Corporate Governance

The global corporate governance model adopted by the Santander Group is characterized, especially, by the protection of shareholders' rights as well as transparency in management and in communications with the strategic stakeholders, all of which have placed the group's European units among the continent's leaders in corporate governance.

Based on these credentials, Santander Brasil focused its efforts in 2009 on perfecting its policies and practices, also reinforced by the gains in synergy and complementarily resulting from the acquisition of Banco Real.

In this regard and in line with the best corporate governance practices, in October 2009, Santander listed its Units at Level 2 of the São Paulo Stock Exchange (BMF&Bovespa stock exchange) and its ADRs on the New York Stock Exchange (NYSE), and is thus subject to the supervision of the Securities and Exchange Commission of Brazil (CVM), the U.S. Securities & Exchange Commission and the Sarbanes-Oxley Act.

Level 2 is a special listing segment of BMF&Bovespa stock exchange, exclusively for companies that comply with certain minimum requirements and undertake to abide by special corporate governance practices.

To establish and disseminate the standards of conduct expected from all of its employees, the Organization has a Code of Ethics, which establishes the values of citizenship, dignity, work, respect, loyalty, decorum, zeal and efficiency, the Code of Conduct in Securities Markets, as well as manuals for Prevention of Money Laundering, Press Relations, and Conduct in Purchase Management, a global publication. It also has an Information Security policy that is guided by the principles of confidentiality, integrity and availability.

Santander Brasil is managed by the Board of Directors, consisting of at least five members and a maximum of twelve, of which 20% should be independent members.The Board members meet four times a year at intervals determined by the Chairman of the Board. The Board is assisted by the Executive Board and the Executive Committee, which take decisions on running the business, capital allocation and large investments. Both are assisted by various specialized committees.

At an extraordinary meeting held on September 2, 2009, shareholders elected five new members to the Board of Directors, replacing two existing members. The respective terms of office will end at the Annual Shareholders' Meeting to be held in 2011. According to CVM Instruction 480/09, on the meeting held on February 01, 2010, the Board of Directors discussed, reviewed and agreed upon the independent auditor´s opinions which were exposed on the auditor´s report, and with the financial statements of 2009.

Operational Risks, Internal Controls and Sarbanes- Oxley Act

To put in place, maintain, and disseminate the culture, policies and infrastructure necessary to the proper management and control of Operational Risks constitute Santander's main strategic and competitive drivers in our continuous search to improve the efficiency of our Control, prevention, mitigation and event and loss reduction system due to Operational Risks; these concerns are reflected in the Mission of the Operational and Technology Risk Department.

Thus, the Bank has maintained a specific and independent corporate function, with its own structure, rules, methodologies, tools and internal models focused on the management and control of operational risks, which is also responsible for the technology risks associated to business continuity.

The processes developed and adopted are intended to position and maintain Santander among the financial institutions recognized as the entities with the best practices for the management of Operational Risks and their operations, thus contributing to attaining the strategic objectives and continuously improving the entity's reputation and its soundness and reliability in the local and international markets.

Santander has a defined management and control model, which ensures that it is adopted by managers in daily operations, the alignment with the guidelines of Banco Santander España, the compliance with the requirements of the New Basel Accord (BIS II), the Bacen, the CVM, and the provisions of the Sarbanes-Oxley Act (SOX).

The Bank´s methodology is based on the best market practices used to identify, capture, assess, control, monitor, manage and prevent operational, technology, and business continuity risks, in addition to continuously strengthen our internal control system, in accordance with the provisions of CMN Resolutions 2554/1998 and 3380/2006, and SOX requirements. We also comply with the guidelines set out by Banco Santander España, which are based on the COSO - Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management – Integrated Framework.

Senior management is an acting party, aligned with the function's mission, by recognizing, participating and sharing responsibility for the continuous improvement of this culture and framework, in order to ensure the fulfillment of defined objectives and goals, as well as the security and quality of the products and services provided.

Consistently with the transparency of our operational risks management and control model, and related methodologies, visions and the increased detailing of the internal models adopted and the main results obtained, we disclose, document and register the results in annual financial and corporate reports, are available on our website: www.santander.com.br.

In compliance with Bacen Circular 3383/2008, our Board of Directors opted for the Alternative Standardized Approach (ASA) for the calculation of the regulatory capital ratio required for operational risk, starting the first half of 2009.

During the first semester of 2009, Santander Spain has accomplished the complete annual certification of the Internal Control Model, in compliance with section 404 of SOX, which encompasses the certification required for the controlling stockholder, for the financial period ending on December 31, 2008, did not identify any incidence considered a significantly weakness. For 2009, the certification process will be completed by February, 2010, and until the moment of publishing this report, there is no evidence of significant weakness.

People

For the Santander Brazil Group to become the best and most efficient bank in Brazil, its employees must come together to build this progress. Hence, one of the Group's objectives is to be the best company to work for in the financial sector and for this purpose, during the integration process, it seeks to identify the best HR practices in both the banks and the market. With this guideline, Santander continuously invests in the training and well-being of its 51,000 professionals through programs that cover high school students to top executives.

In addition to the Youth Apprentice Program, based on the Ministry of Labor's guidelines, the Group has its own trainee programs.

For employees with the potential to take up executive positions, it offers the Santander Executive Training Program (STEP) which, in addition to providing specific training, offers the possibility of interchange with units in other countries where the Group is present.

It also has two categories of MBAs: the International MBA, which prepares professionals for admission exams to the most renowned institutions in Europe and the United States, and Summer, which aims to attract to Brazil employees pursuing MBA abroad to work on specific projects such as Leadership Development and Mentoring. There is the Training Track program, which trains employees at the branches to function to their full potential in their present and future positions. Also, there are the Santander Career Program and the Bank of Opportunities, which ensure maximum transparency for employees while accessing opportunities within the Group.

It also has the Appreciation of Diversity Program, which encourages discussion on subjects in order to promote quality relations with all its stakeholders.

All these continuous training initiatives are structured according to the professionals' functions and are conducted either personally or through e-learning.

Santander believes that a better individual is a better professional and hence it encourages them to pursue their well-being. For this, it organizes the Quality of Life program, which involves initiatives related to health, social life, work relations and family coexistence, and the Personal Support Program, which offers a telephonebased support service for employees and their families in times of stress.

The management of people is aligned with a global model of training and exchange of knowledge, whose differentials are the strategies for attracting, training and retaining talent. With policies and tools that promote human and professional development, the Group is well prepared for the challenge of maintaining its business growth.

Sustainable Responsibility

Santander continued its process of building awareness, training and engagement for sustainability. In October, it launched the Sustainability in Action program, which aims to train the mobilization agents on disseminating sustainability at the branches. A total of 160 employees have already been trained, whose mission is to share this knowledge with their teams and encourage the adoption of sustainability practices in their daily routines.

Santander also helps other companies reinvent their businesses in a profitable and innovative manner, while integrating the financial results with the care for environment and society. In fourth quarter, 2009, it conducted four modules of the Caminhos e Desafios (Ways and Challenges) program. In 2009, a total of 863 corporate clients and vendors participated in the program. The Group also conducted a workshop for businessmen during the UN Conference on Climate Change (COP-15) held in December in Copenhagen.

The Sustainability Practices Space portal was visited more than 1 million times in 2009. The factors behind this success are an online course featuring an imaginary character "Roberto", a common man who gradually discovers a new way of seeing and doing things in his daily life.

Santander integrated its initiatives in private social investments, underlining its commitment to education. The Amigo de Valor (Valuable Friend) program raised R$ 6.9 million in 2009, which was directed to the Child and Adolescent Rights Funds in 31 cities in 17 states. A total of 25,418 people, including employees, clients, vendors and companies, participated in this edition. The Brazil School Project, which encourages voluntary efforts to improve the public education system, ended the year with 49 new volunteer groups, involving 170 partner schools and more than 2,000 employees.

On the cultural front, the Bank held in November the 11th Mature Talents Competition for senior citizens, which encourages their active participation by valuing their talent. In 2009, the program mobilized more than 3,600 service points at Santander and Real and had 11,150 participants.

The Bank also held the closing ceremony of the 5th Santander Entrepreneurship, Science and Innovation Awards.

This is an initiative of Santander Universities to stimulate entrepreneurial spirit and scientific research at the academic level. There were 2,116 participants, 11% more than in 2008.

The photography competition "Fototalentos" for university students, sponsored by Universia, had 1,438 participants in Brazil, second among the 18 countries where Universia operates. Universia also conducted two meetings to discuss about higher education – the 'Seminar on New Trends in Teaching and Learning' at the Federal University of Rio Grande do Sul (UFRGS), and 'The Responsibility of the Brazilian University as an Agent of Social Inclusion and Cohesion', by the National Association of Administrators of Federal Universities (ANDIFES).

As for the environment, the Group's new head office in São Paulo received the ISO14001 certification in December, attesting to the compliance of our Environment Management System to the Norm's requirements. Through the Papa-Pilhas program, in 2009, the Group sent 155.5 tons of mobile phones and batteries gathered at 2,062 collection points for recycling.

In recognition for including sustainability in its business model, Santander received the ECO 2009 Award from the American Chamber of Commerce in association with the Valor Econômico newspaper.

Other Information

It is part of Santander´s policy to restrict the services provided by our independent auditors, so as to preserve the auditor's independence and objectivity, in accordance with Brazilian and international standards. In compliance with CVM Instruction 381/2003, we hereby inform that during 2009, there hasn´t been any contract for non-audit services from Deloitte Touche Tohmatsu Auditores Independentes which cumulatively represent more than 5 percent of the related overall consideration.

Acknowledgements

The Management of Santander thanks its customers and stockholders for their trust, and its employees for their efforts and dedication, all of whom have made these results possible.

São Paulo, February 2, 2010.

The Board of Directors

The Executive Board

(Approved during Santander´s Management Committee meeting held on 02/02/2010).

Deloitte.

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Management and Stockholders of
Banco Santander (Brasil) S.A.
São Paulo, SP

1. We have audited the accompanying individual (Bank) and consolidated balance sheets of Banco Santander (Brasil) S.A. and subsidiaries as of December 31, 2009 and 2008, and the related individual statements of income, changes in stockholders' equity and cash flows for the years then ended and six-month period ended December 31, 2009, and the consolidated statements of income and changes in cash flows for the years ended December 31, 2009 and 2008, and the individual and consolidated statements of value added as of December 31, 2009 and 2008, 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 position of Banco Santander (Brasil) S.A. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations, the changes in stockholders' equity (Bank), and their cash flows for the years then ended and six-month period ended December 31, 2009, and the value added in operations as of December 31, 2009 and 2008, 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 1, 2010

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Francisco A.M. Sant'Anna
Engagement Partner

		In Thousands of Brazilian Reais			
			Bank		Consolidated
	Note	2009	2008	2009	2008
Current Assets		**175,814,921**	**101,355,765**	**193,314,256**	**194,149,492**
Cash	**5**	**5,597,548**	**2,449,760**	**5,623,834**	**5,087,316**
Interbank Investments	**6**	**39,072,317**	**29,452,723**	**28,898,066**	**34,076,639**
Money Market Investments		21,334,716	18,108,018	21,334,716	18,108,018
Interbank Deposits		16,350,173	3,024,246	6,175,922	7,223,532
Foreign Currency Investments		1,387,428	8,320,459	1,387,428	8,745,089
Securities and Derivative Financial Intrument	**7**	**30,522,711**	**17,041,998**	**45,673,813**	**26,509,181**
Own Portfolio		22,008,486	6,378,524	21,680,595	11,952,040
Subject to Resale Commitments		3,103,284	1,847,562	1,883,207	423,700
Derivative Financial Instruments		2,479,049	4,833,537	2,473,322	6,032,676
Linked to Trading Portfolio Operations		-	43,944	-	-
Linked to Central Bank of Brazil		2,512,805	2,522,764	2,512,805	3,448,475
Linked to Guarantees		419,087	1,415,667	17,123,884	4,652,290
Interbank Accounts	**8**	**8,648,010**	**2,641,314**	**8,648,016**	**7,365,547**
Payments and Receipts Pending Settlement		15,529	2,758	15,529	19,502
Restricted Deposits:					
Central Bank of Brazil		8,538,602	2,540,289	8,538,608	6,949,629
National Housing System		5,942	95,500	5,942	106,597
Interbank Onlending		66,464	-	66,464	270,342
Correspondents		21,473	2,767	21,473	19,477
Interbranch Accounts		**2,135**	**3,870**	**6,133**	**12,736**
Third-party Funds in Transit		2,135	3	2,208	1,709
Internal Transfers of Funds		-	3,867	3,925	11,027
Lending Operations	**9**	**46,708,229**	**27,187,614**	**51,003,819**	**68,299,297**
Public Sector		70,578	44,678	67,181	73,447
Private Sector		47,982,332	27,337,675	52,501,173	69,257,668
(Allowance for Loan Losses)	9.f	(1,344,681)	(194,739)	(1,564,535)	(1,031,818)
Leasing Operations	**9**	**199,250**	**215,108**	**5,601,305**	**4,949,455**
Public Sector		-	-	766	896
Private Sector		210,881	220,940	5,860,163	5,094,557
(Allowance for Doubtful Lease Receivables)	9.f	(11,631)	(5,832)	(259,624)	(145,998)
Other Receivables		**44,699,780**	**22,258,872**	**47,042,604**	**47,152,948**
Receivables for Guarantees Honored		2,030	1,495	2,030	4,318
Foreign Exchange Portfolio	10	30,292,620	14,744,632	30,292,620	31,365,346
Income Receivable		501,342	514,451	272,141	274,589
Trading Account	11	104,047	1,351,645	435,451	2,071,093
Tax Credits	12	5,084,675	2,295,074	5,597,886	4,700,703
Other	13	8,823,559	3,373,721	10,589,517	8,986,484
(Allowance for Losses on Other Receivables)	9.f	(108,493)	(22,146)	(147,041)	(249,585)
Other Assets		**364,941**	**104,506**	**816,666**	**696,373**
Temporary Investments		-	-	-	2,474
Other Assets	14	216,916	189,148	219,660	290,723
(Allowance for Valuation)	14	(122,614)	(148,192)	(124,776)	(178,178)
Prepaid Expenses		270,639	63,550	721,782	581,354

	Note	Bank 2009	Bank 2008	Consolidated 2009	Consolidated 2008
					In Thousands of Brazilian Reais
Long-Term Assets		**130,097,923**	**59,857,273**	**119,107,020**	**114,256,621**
Interbank Investments	**6**	**6,710,196**	**1,683,124**	**1,275,629**	**3,190,624**
Money Market Investments		-	-	-	18,122
Interbank Deposits		6,365,510	1,217,683	930,943	2,707,061
Foreign Currency Investments		344,886	465,641	344,886	465,641
(Allowance for Losses)		(200)	(200)	(200)	(200)
Securities and Derivative Financial Instrument	**7**	**56,900,061**	**13,268,073**	**34,016,945**	**29,315,292**
Own Portfolio		18,461,801	1,042,582	10,116,000	2,178,105
Subject to Resale Commitments		17,344,683	2,291,674	711,461	347,347
Derivative Financial Instruments		2,721,838	2,635,150	2,715,550	3,492,854
Linked to Central Bank of Brazil		15,481,638	3,595,489	15,481,638	14,522,342
Privatization Certificates		1,550	1,395	1,550	1,395
Linked to Guarantees		2,888,551	3,701,783	4,990,746	8,773,249
Interbank Accounts	**8**	**239,918**	**68,492**	**239,918**	**315,392**
Restricted Deposits:					
National Housing System		175,029	68,492	175,029	68,492
Interbank Onlending		64,889	-	64,889	246,900
Lending Operations	**9**	**50,889,036**	**20,238,048**	**57,593,823**	**41,527,556**
Public Sector		174,606	148,163	174,606	268,797
Private Sector		57,284,691	22,412,077	64,282,210	46,547,322
(Allowance for Loan Losses)	9.f	(6,570,261)	(2,322,192)	(6,862,993)	(5,288,563)
Leasing Operations	**9**	**399,919**	**627,911**	**7,682,952**	**7,373,056**
Public Sector		-	-	945	1,398
Private Sector		431,908	631,539	8,062,586	7,610,208
(Allowance for Doubtful Lease Receivables)	9.f	(31,989)	(3,628)	(380,579)	(238,550)
Other Receivables		**14,874,566**	**23,867,217**	**18,126,487**	**32,193,749**
Receivables for Guarantees Honored		16,874	9,812	16,874	9,812
Foreign Exchange Portfolio	10	895,101	16,083,523	895,101	16,181,345
Income Receivable		46,749	36,876	46,752	36,876
Tax Credits	12	6,130,518	3,166,978	8,220,917	7,294,389
Other	13	8,012,024	4,657,975	9,194,641	8,811,045
(Allowance for Losses on Other Receivables)	9.f	(226,700)	(87,947)	(247,798)	(139,718)
Other Assets		**84,227**	**104,408**	**171,266**	**340,952**

Temporary Investments		8,061	9,687	8,069	9,696
(Allowance for Losses)		(1,765)	(647)	(1,773)	(655)
Prepaid Expenses		77,931	95,368	164,970	331,911
Permanent Assets		**46,390,939**	**45,197,680**	**29,902,465**	**32,229,359**
Investments		**17,712,472**	**14,984,082**	**88,973**	**129,117**
Investments in Affiliates and Subsidiaries:	16	17,683,494	15,055,983	24,057	21,186
Domestic		17,587,736	14,940,503	24,057	21,186
Foreign		95,758	115,480	-	-
Other Investments		106,316	20,216	119,848	145,677
(Allowance for Losses)		(77,338)	(92,117)	(54,932)	(37,746)
Property and Equipment in Use	**17**	**3,605,974**	**2,524,321**	**3,657,656**	**3,650,334**
Real Estate		1,471,945	341,985	1,476,189	810,003
Other		5,068,666	3,648,950	5,149,208	5,741,067
(Accumulated Depreciation)		(2,934,637)	(1,466,614)	(2,967,741)	(2,900,736)
Intangibles	**18**	**25,072,493**	**27,689,277**	**26,155,836**	**28,449,908**
Goodwill		26,619,000	26,333,931	27,739,919	26,333,931
Intangible Assets		4,383,216	3,513,677	4,498,341	9,119,684
(Accumulated Amortization)		(5,929,723)	(2,158,331)	(6,082,424)	(7,003,707)
Total Assets		**352,303,783**	**206,410,718**	**342,323,741**	**340,635,472**

		In Thousands of Brazilian Reais			
			Bank		**Consolidated**
	Note	**2009**	**2008**	**2009**	**2008**
Current Liabilities		**178,795,915**	**99,308,362**	**190,043,742**	**177,036,042**
Deposits	**19.a**	**82,415,068**	**39,326,071**	**74,717,943**	**72,138,582**
Demand Deposits		14,968,013	5,022,049	14,787,247	14,729,644
Savings Deposits		25,216,924	8,314,895	25,216,924	20,642,679
Interbank Deposits		8,277,599	4,268,278	762,033	1,528,177
Time Deposits		33,401,967	21,342,541	33,401,174	34,758,295
Other Deposits		550,565	378,308	550,565	479,787
Money Market Funding	**19.b**	**29,368,895**	**16,290,597**	**29,231,185**	**23,284,879**
Own Portfolio		14,973,688	2,071,114	14,946,527	10,525,907
Third Parties		9,633,621	13,084,478	9,523,072	11,666,815
Linked to Trading Portfolio Operations		4,761,586	1,135,005	4,761,586	1,092,157
Funds from Acceptance and Issuance of Securities	**19.c**	**8,243,008**	**4,359,926**	**8,396,950**	**7,878,175**
Exchange Acceptances		-	-	101,921	26,098
Real Estate Credit Notes, Mortgage Notes, Credit and Similar Notes		7,014,825	3,601,154	1,228,183	6,834,968
Securities Issued Abroad		1,228,183	758,772	1,228,183	1,017,109
Interbank Accounts	**8**	**41,105**	**181**	**41,105**	**49,517**
Receipts and Payments Pending Settlement		1,755	-	1,755	1,910
Correspondents		39,350	181	39,350	47,607
Interbranch Accounts		**1,915,633**	**1,328,290**	**1,915,633**	**2,516,657**

Third-Party Funds in Transit		1,863,326	1,327,774	1,863,326	2,512,498
Internal Transfers of Funds		52,307	516	52,307	4,159
Borrowings	**19.e**	**8,044,839**	**9,867,363**	**8,044,839**	**12,212,876**
Local Borrowings -Other Officials		240,113	184,583	240,113	352,314
Foreign Borrowings		7,804,726	9,682,780	7,804,726	11,860,562
Domestic Onlendings -Official Institutions	**19.e**	**2,481,235**	**1,816,380**	**2,481,235**	**2,983,867**
National Treasury		27,252	-	27,252	8,238
National Economic and Social Development Bank (BNDES)		705,108	880,030	705,108	1,130,147
Federal Savings and Loan Bank (CEF)		1,879	6,108	1,879	6,132
National Equipment Financing Authority (FINAME)		1,566,640	625,973	1,566,640	1,535,081
Other Institutions		180,356	304,269	180,356	304,269
Foreign Onlendings	**19.e**	**722,887**	**-**	**722,887**	**746,733**
Foreign Onlendings		722,887	-	722,887	746,733
Derivative Financial Instruments	**7**	**1,724,817**	**5,815,703**	**1,717,678**	**7,763,795**
Derivative Financial Instruments		1,724,817	5,815,703	1,717,678	7,763,795
Other Payables		**43,838,428**	**20,503,851**	**62,774,287**	**47,460,961**
Collected Taxes and Other		99,548	31,804	104,171	86,625
Foreign Exchange Portfolio	10	28,749,034	13,066,728	28,749,034	27,263,121
Social and Statutory		1,707,394	1,478,893	1,844,523	1,852,488
Tax and Social Security	20	1,877,219	184,085	2,864,753	1,414,571
Trading Account	11	119,602	1,276,502	422,713	2,092,179
Technical Provision for Insurance, Pension Plan and Capitalization Operations		-	-	17,026,327	3,830,060
Subordinated Debts	21	2,104	2,824	2,104	97,391
Other	22	11,283,527	4,463,015	11,760,662	10,824,526

					In Thousands of Brazilian Reais
			Bank		Consolidated
	Note	2009	2008	2009	2008
Long-Term Liabilities		**108,834,866**	**58,214,456**	**87,185,711**	**114,280,194**
Deposits	**19.a**	**64,509,271**	**19,113,026**	**38,755,122**	**51,848,721**
Interbank Deposits		25,824,884	-	2,232	376,139
Time Deposits		38,684,387	19,113,026	38,752,890	51,472,582
Money Market Funding	**19,b**	**5,552,576**	**2,065,829**	**5,380,872**	**7,647,425**
Own Portfolio		5,552,576	2,065,829	5,380,872	7,647,425
Funds from Acceptance and Issuance of Securities	**19.c**	**1,564,799**	**857,584**	**2,340,275**	**2,680,540**
Exchange Acceptances		-	-	367,803	122,350
Real Estate Credit Notes, Mortgage Notes, Credit and Similar Notes		201,820	48,645	609,493	50,416
Securities Issued Abroad		1,362,979	808,939	1,362,979	2,507,774
Borrowings	**19.e**	**2,879,791**	**1,566,449**	**2,879,791**	**2,194,326**
Local Borrowings -Other Institutions		259,782	-	259,782	232,181
Foreign Borrowings		2,620,009	1,566,449	2,620,009	1,962,145

Domestic Onlendings -Official Institutions	**19.e**	**5,933,049**	**2,451,194**	**5,933,049**	**4,856,375**
National Treasury		12,650	-	12,650	11,032
National Economic and Social Development Bank (BNDES)		3,192,981	1,500,617	3,192,981	2,029,498
Federal Savings and Loan Bank (CEF)		2,765	7,704	2,765	7,820
National Equipment Financing Authority (FINAME)		2,718,029	939,954	2,718,029	2,805,106
Other Institutions		6,624	2,919	6,624	2,919
Foreign Onlendings	**19.e**	**1,141,202**	**-**	**1,141,202**	**2,536,011**
Foreign Onlendings		1,141,202	-	1,141,202	2,536,011
Derivative Financial Instruments	**7**	**2,687,097**	**2,632,890**	**2,686,924**	**3,851,488**
Derivative Financial Instruments		2,687,097	2,632,890	2,686,924	3,851,488
Other Payables		**24,567,081**	**29,527,484**	**28,068,476**	**38,665,308**
Foreign Exchange Portfolio	10	767,690	15,588,163	767,690	15,686,369
Social and Statutory		-	-	-	177,641
Tax and Social Security	20	6,216,427	3,407,572	9,198,568	8,150,053
Trading Account	11	-	125	464	125
Technical Reserve for Insurance, Pension Plan and Capitalization Transactions		-	-	269,280	-
Subordinated Debts	21	11,304,786	5,526,905	11,304,786	9,091,051
Other	22	6,278,178	5,004,719	6,527,688	5,560,069
Deferred Income		**145,556**	**94,015**	**161,030**	**162,269**
Deferred Income		145,556	94,015	161,030	162,269
Minority Interest		**-**	**-**	**440,565**	**400,410**
Stockholders' Equity	**24**	**64,527,446**	**48,793,885**	**64,492,693**	**48,756,557**
Capital:		62,806,071	47,152,201	62,803,941	47,152,201
Brazilian Residents		6,249,089	1,008,603	6,246,959	1,008,603
Foreign Residents		56,556,982	46,143,598	56,556,982	46,143,598
Capital Reserves		726,566	922,130	726,566	922,130
Revaluation Reserves		919,467	693,275	919,467	693,275
Adjustment to Fair Value -Securities and Derivatives		75,342	26,279	35,143	(13,920)
Retained Earnings/Accumulated Deficit		-	-	7,576	2,871
Total Liabilities and Stockholders' Equity		**352,303,783**	**206,410,718**	**342,323,741**	**340,635,472**

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

					In Thousands of Brazilian Reais	
				Bank		**Consolidated**
		Second Half				
	Note	**2009**	**2009**	**2008**	**2009**	**2008**
Financial Income		**16,828,440**	**26,991,296**	**20,512,167**	**33,607,299**	**30,354,954**
Lending Operations		10,334,100	17,209,215	12,456,167	22,962,230	21,082,871
Leasing Operations		16,884	82,072	51,079	2,047,251	717,653
Securities Transactions	7	5,564,733	7,919,911	6,526,486	5,993,932	7,737,760

Derivatives		393,465	1,597,876	(67,657)	2,414,113	(3,563,643)
Insurance, Pension Plan and Capitalization		-	-	-	772,754	106,762
Foreign Exchange Operations		370,169	(72,234)	1,081,246	(882,105)	3,597,395
Compulsory Investments		149,089	254,456	464,846	299,124	676,156
Financial Expenses		**(11,308,119)**	**(17,073,513)**	**(16,043,535)**	**(19,501,591)**	**(23,449,635)**
Funding Operations	19.d	(7,155,096)	(11,948,168)	(9,618,784)	(12,048,390)	(12,677,687)
Borrowings and Onlendings		590,174	2,889,999	(3,621,777)	3,071,616	(6,323,541)
Technical Reserves for Insurance, Pension Plan and Capitalization Adjustment and Interest		-	-	-	(606,949)	(77,667)
Allowance for Loan Losses	9.f	(4,743,197)	(8,015,344)	(2,802,974)	(9,917,868)	(4,370,740)
Gross Profit From Financial Operations		**5,520,321**	**9,917,783**	**4,468,632**	**14,105,708**	**6,905,319**
Other Operating (Expenses) Income		**(7,028,172)**	**(11,223,706)**	**(3,139,684)**	**(14,479,684)**	**(5,652,424)**
Income from Services Rendered	27	2,235,083	3,963,143	3,045,357	5,277,294	4,250,300
Income from Banking Fees	27	871,234	1,487,663	669,018	2,102,654	1,123,932
Net Income from Premiums, Pension Plan and Capitalization		-	-	-	294,641	53,775
Personnel Expenses	28	(2,326,106)	(3,868,995)	(1,854,091)	(4,861,984)	(3,004,485)
Other Administrative Expenses	29	(5,103,540)	(8,843,249)	(3,720,339)	(10,200,396)	(5,416,887)
Tax Expenses	30	(1,079,570)	(1,808,005)	(793,960)	(2,457,177)	(1,172,912)
Investments in Affiliates and Subsidiaries	16	1,070,649	2,160,275	1,028,971	168,588	5,640
Other Operating Income	31	808,235	1,305,380	795,661	1,856,278	1,612,317
Other Operating Expenses	32	(3,504,157)	(5,619,918)	(2,310,301)	(6,659,582)	(3,104,104)
Income From Operations		**(1,507,851)**	**(1,305,923)**	**1,328,948**	**(373,976)**	**1,252,895**
Nonoperating (Expenses) Income	**33**	**2,805,332**	**3,786,049**	**(53,151)**	**4,127,139**	**11,586**
Income Before Taxes On Income and Profit Sharing		**1,297,481**	**2,480,126**	**1,275,797**	**3,753,163**	**1,264,481**
Income and Social Contribution Taxes	**34**	**(81,385)**	**51,163**	**717,018**	**(1,039,386)**	**973,341**
Provision for Income Tax		(584,451)	(691,679)	(442,177)	(2,154,539)	(864,636)
Provision for Social Contribution Tax		(423,750)	(532,148)	(355,567)	(1,047,904)	(480,849)
Deferred Tax Credits		926,816	1,274,990	1,514,762	2,163,057	2,318,826
Profit Sharing		**(417,440)**	**(730,097)**	**(451,911)**	**(854,398)**	**(639,172)**
Minority Interest		-	-	-	(53,480)	(18,037)
Net Income		**798,656**	**1,801,192**	**1,540,904**	**1,805,899**	**1,580,613**
Number of Shares (Thousands)	24	399,044,117	399,044,117	325,758,283		
Earnings per Thousand Shares (R$)		2.00	4.51	4.73		

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

	Note	Capital	Capital Increase	Capital Reserves	Profit Reserves: Legal Reserve	Profit Reserves: Reserve for Dividend Equalization	Adjustment to Fair Value: Position Own	Adjustment to Fair Value: Affiliates and Sub-sidiaries	Retained Earnings	Treasury Shares	Total
Balances as of December 31, 2007		**8,331,448**	**-**	**22,130**	**602,371**	**3,045**	**342,440**	**(2)**	**-**	**-**	**9,301,432**
Capital Increase	24.a	800,000	38,020,753	900,000	-	-	-	-	-	-	39,720,753
Adjustment to Fair Value -Securities and Derivative Financial Instruments		-	-	-	-	-	(214,485)	(101,674)	-	-	(316,159)
Reserve for Equalization of Dividends from Retained Earnings	24.b	-	-	-	-	(3,045)	-	-	-	-	(3,045)
Net Income		-	-	-	-	-	-	-	1,540,904	-	1,540,904
Allocations:											
Legal Reserve		-	-	-	77,045	-	-	-	(77,045)	-	-
Dividends	24.b	-	-	-	-	-	-	-	(970,000)	-	(970,000)
Reserve for Dividend Equalization	24.c	-	-	-	-	13,859	-	-	(13,859)	-	-
Interest on Capital	24.b	-	-	-	-	-	-	-	(480,000)	-	(480,000)
Balances as of December 31, 2008		**9,131,448**	**38,020,753**	**922,130**	**679,416**	**13,859**	**127,955**	**(101,676)**	**-**	**-**	**48,793,885**
Capital Increase	24.a	53,674,623	(38,020,753)	(193,616)	-	-	-	-	-	-	15,460,254
Acquisition of Treasury Shares	24.d	-	-	-	-	-	-	-	-	(1,948)	(1,948)
Cancelation of Treasury Shares	24.d	-	-	(1,948)	-	-	-	-	-	1,948	-
Adjustment to Fair Value -Securities and Derivative Financial Instruments		-	-	-	-	-	**(44,921)**	93,984	-	-	49,063
Net Income		-	-	-	-	-	-	-	1,801,192	-	1,801,192
Allocations:											
Legal Reserve		-	-	-	90,060	-	-	-	(90,060)	-	-
Dividends	24.b	-	-	-	-	(327,400)	-	-	(422,600)	-	(750,000)
Reserve for Dividend Equalization	24.c	-	-	-	-	463,532	-	-	(463,532)	-	-
Interest on Capital	24.b	-	-	-	-	-	-	-	(825,000)	-	(825,000)
Balances as of December 31, 2009		**62,806,071**	**-**	**726,566**	**769,476**	**149,991**	**83,034**	**(7,692)**	**-**	**-**	**64,527,446**
Balances as of June 30, 2009		**47,152,201**	**-**	**922,130**	**729,543**	**341,268**	**344,283**	**(71,282)**	**-**	**(1,948)**	**49,416,195**
Capital Increase		15,653,870	-	(193,616)	-	-	-	-	-	-	15,460,254
Cancelation of Treasury Shares	24.a	-	-	(1,948)	-	-	-	-	-	1,948	-
Adjustment to Fair Value -Securities and Derivative Financial Instruments	24.d	-	-	-	-	-	(261,249)	63,590	-	-	(197,659)
Net Income		-	-	-	-	-	-	-	798,656	-	798,656
Allocations:											
Legal Reserve		-	-	-	39,933	-	-	-	(39,933)	-	-
Dividends	24.b	-	-	-	-	(327,400)	-	-	(422,600)	-	(750,000)
Reserve for Dividend Equalization	24.c	-	-	-	-	136,123	-	-	(136,123)	-	-
Interest on Capital	24.b	-	-	-	-	-	-	-	(200,000)	-	(200,000)
Balances as of December 31, 2009		**62,806,071**	**-**	**726,566**	**769,476**	**149,991**	**83,034**	**(7,692)**	**-**	**-**	**64,527,446**

			In Thousands of Brazilian Reais			
			Bank		Consolidated	
		Second Half				
	Note	2009	2009	2008	2009	2008
Cash Flow from Operating Activities						
Net Income		**798,656**	**1,801,192**	**1,540,904**	**1,805,899**	**1,580,613**
Adjustment Net Income		**5,056,100**	**9,389,223**	**3,632,415**	**14,181,018**	**6,715,371**
Allowance for Loan Losses	9.f	4,743,197	8,015,344	2,802,974	9,917,868	4,370,740
Provision for Contingent Liabilities		1,919,147	3,879,870	1,544,271	4,622,401	2,048,915
Deferred Tax Credits		(819,716)	(1,351,030)	(892,705)	(1,073,351)	(1,063,848)
Equity in Affiliates and Subsidiaries	16	(1,070,649)	(2,160,275)	(1,028,971)	(168,588)	(5,640)
Depreciation and Amortization	29	2,147,438	3,814,828	1,222,932	4,002,472	1,396,401
Allowance for Losses on Other Assets		(112,980)	(62,437)	(8,416)	(52,953)	(10,462)
Gain (Loss) on Sale of Other Assets	33	25,815	24,407	(16,403)	24,773	(16,838)
Impairment of Assets	32	812,803	848,601	11,362	848,599	74,262
Gain (Loss) on Sale of Other Investments	33	(2,561,789)	(3,596,175)	(3,199)	(3,944,247)	(90,847)
Minority Interest		-	-	-	-	18,037
Other		(27,166)	(23,910)	570	4 ,044	(5,349)
Changes on Assets and Liabilities		**(23,752,954)**	**(46,824,524)**	**(1,529,365)**	**(41,820,326)**	**(3,625,458)**
Decrease (Increase) in Interbank Investments		6,867,752	(51,735)	(4,505,079)	(2,380,925)	1,209,696
Decrease (Increase) in Securities and Derivative Financial Instruments		(14,770,306)	(20,665,913)	(3,613,462)	(19,325,718)	(1,829,159)
Decrease (Increase) in Lending and Leasing Operations		(6,775,087)	(6,941,992)	(13,432,015)	(9,687,941)	(22,040,971)
Decrease (Increase) in Deposits on Central Bank of Brazil		1,647,861	(1,376,036)	3,450,516	(1,588,979)	9,601,431
Decrease (Increase) in Other Receivables		8,529,198	17,996,623	(23,532,248)	15,762,684	(27,582,051)
Decrease (Increase) in Other Assets		80,350	6,614	1,805	370,712	170,875
Net Change on Interbank and Interbranch Accounts		703,664	378,505	768,716	(220,850)	952,680
Increase (Decrease) in Deposits		(12,449,255)	(9,436,259)	15,504,548	(10,405,058)	13,054,763
Increase (Decrease) in Money Market Funding		1,420,047	(3,936,748)	(4,813,010)	3,679,754	(8,265,029)
Increase (Decrease) in Funds from Acceptance and Issuance of Securities		182,809	(214,019)	3,301,108	178,510	4,487,160
Increase (Decrease) in Borrowings and Onlendings		(1,334,865)	(3,458,487)	4,038,458	(4,327,187)	6,013,302
Increase (Decrease) in Other Liabilities		(7,892,351)	(19,129,879)	21,286,175	(16,570,472)	20,595,896
Increase (Decrease) in Technical Provision for Insurance, Pension Plan and Capitalization Operations		-	-	-	2,696,383	-
Increase (Decrease) in Change in Deferred Income		37,229	4,802	15,123	(1,239)	5,949
Net Cash Provided by (Used in) Operating Activities		**(17,898,198)**	**(35,634,109)**	**3,643,954**	**(25,833,409)**	**4,670,526**
Investing Activities						
Acquisition of Investment		(60,515)	(193,467)	(48,557)	(25,833,409)	(8,086)
Acquisition of Property and Equipment in Use		(1,163,054)	(1,454,235)	(1,959,840)	(1,536,301)	(2,103,308)
Acquisition of Intangible Assets		(1,013,037)	(1,454,235)	(586,833)	(1,951,450)	(723,012)
Net Cash Received on Acquisition of Subsidiary		-	-	-	-	2,076,292
Net Cash Received on Sale of Investments		2,704,367	18,275,398	14,568	5,618,407	154,250

Proceeds from Assets not in Use		169,671	207,694	74,430	224,430	186,176
Proceeds from Property in Use		688,398	961,753	348,732	966,834	452,245
Dividends and Interest on Capital Received		749,896	749,896	135,682	15,286	1,598
Net Cash Provided by (Used in) Investing Activities		**2,075,726**	**16,633,152**	**(2,021,818)**	**3,240,967**	**36,155**
Financing Activities						
Capital Increase	24.a	12,988,842	12,988,842	800,000	12,988,842	800,000
Acquisition of Treasury Shares	24.d	-	(1,948)	-	(1,948)	-
Increase in Subordinated Debts		313,823	2,007,154	1,310,104	2,118,448	1,528,147
Paid Dividends and Interest on Capital		91,117	(1,371,060)	(1,698,451)	(1,546,535)	(1,502,647)
Increase (Decrease) on Minority Interest		-	-	-	40,155	(6,899)
Net Cash Provided by (Used in) Financing Activities		**13,393,782**	**13,622,988**	**411,653**	**13,598,962**	**818,601**
Increase (Decrease) in Cash and Cash Equivalents		**(2,428,690)**	**(5,377,969)**	**2,033,789**	**(8,993,480)**	**5,525,282**
Cash and Cash Equivalents Beginning of Period	**5**	**20,936,834**	**23,886,113**	**21,852,324**	**27,377,646**	**21,852,364**
Cash and Cash Equivalents End of Period	**5**	**18,508,144**	**18,508,144**	**23,886,113**	**18,384,166**	**27,377,646**

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

					In Thousands of Brazilian Reais
			Bank		**Consolidated**
	Note	**2009**	**2008**	**2009**	**2008**
Financial Income		26,991,296	20,512,167	33,607,299	30,354,954
Income from Services Rendered, Banking Fees and Net Income from Premiums, Pension Plan and Capitalization		5,450,806	3,714,375	7,674,589	5,428,007
Allowance for Loans Losses	9.f	(8,015,344)	(2,802,974)	(9,917,868)	(4,370,740)
Other Assets and Liabilities		320,112	(1,556,429)	(9,917,868)	(1,405,939)
Financial Expenses		(9,058,169)	(13,240,561)	(9,583,723)	(19,078,895)
Third-party Input		(5,493,691)	(2,334,389)	(6,581,403)	(3,832,946)
Materials and Utilities		(194,960)	(98,131)	(229,761)	(141,620)
Outside and Specialized Services	29	(1,460,144)	(723,551)	(1,835,097)	(1,067,460)
Impairment of Assets	32	(848,601)	(11,362)	(848,599)	(74,262)
Other		(2,989,986)	(1,501,345)	(3,667,946)	(2,549,604)
Gross Added value		**10,195,010**	**4,292,189**	**15,371,328**	**7,094,441**
Retention					
Depreciation and Amortization	29	(3,814,828)	(1,222,932)	(4,002,472)	(1,396,401)
Added Value Produced		**6,380,182**	**3,069,257**	**11,368,856**	**5,698,040**
Added Value Received from Transfer					
Investments in Affiliates and Subsidiaries	16	2,160,275	1,028,971	168,588	5,640
Added Value to Distribute		**8,540,457**	**4,098,228**	**11,537,444**	**5,703,680**
Added Value Distribution					
Employee		4,002,902 46.9%	2,043,099 49.8%	4,969,087 43.1%	3,200,535 56.1%
Compensation	28	2,199,068	1,074,966	2,775,388	1,756,447
Benefits	28	6 42,742	331,199	801,722	477,655
Government Severance Indemnity Funds for Employees - FGTS		228,185	105,367	300,587	179,501

Other		932,907	531,567	1,091,390	786,932
Taxes		2,353,032 27.6%	339,845 8.3%	4,243,858 36.8%	642,693 11.3%
Federal		2,059,754	161,096	3,855,457	380,826
State		404	288	502	328
Municipal		292,874	178,461	387,899	261,539
Remuneration of Third Part - Rental	29	383,331 4.5%	174,380 4.3%	465,120 4.0%	261,802 4.6%
Remuneration of Interest on Capital		1,801,192 21.1%	1,540,904 37.6%	1,859,379 16.1%	1,598,650 28.0%
Interest on Capital	24.b	825,000	480,000	825,000	480,000
Dividends	24.b	750,000	970,000	750,000	970,000
Profit Reinvestment		226,192	90,904	230,899	130,613
Participation Results of Minority of Shareholders		-	-	53,480	18,037
Total		**8,540,457 100%**	**4,098,228 100%**	**11,537,444 100%**	**5,703,680 100%**

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

1. Operations

Banco Santander (Brasil) S.A. (Banco Santander), 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), 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.

The Extraordinary Stockholder's Meeting held in April 14, 2009, was approved the changes of the social denomination from Banco Santander S.A. to Banco Santander (Brasil) S.A.

Global Offering of Shares

The Board of Directors' meeting held on September 18, 2009 approved the implementation of the public offering, denominated Global Offering, which includes the issue of 525,000,000 Units (Each representing one of 55 common shares and 50 preferred shares), all registered shares, without par value, free and clear of any liens or encumbrances, consisting of the simultaneous initial public offering of, (i) of Units in Brazil (Brazilian Offering), on the over-the-counter, in accordance with Brazilian Securities and Exchange Commission (CVM) Instruction 400/2003, and (ii) Units abroad, including in the form of ADRs representing ADSs registered with the U.S. Securities and Exchange Commission (SEC) under the Securities Act of 1933 the United States of America.

At the same meeting was approved the listing of Banco Santander and the trade of the Units of common shares and preferred shares in BMF&Bovespa stock exchange - Securities, Commodities and Futures Exchange (BMF&Bovespa stock exchange) level 2 Corporate Governance Practices.

The Global Offering was coordinated on a firm guarantee of settlement. Under the Article 24 of CVM Instruction 400/2003, the total number of Units/ADSs initially offered in the Global Offering (excluding the Additional Units, as defined below) was increased in 6.85 %, i.e., which means 35,955,648 Units, in the form of ADSs under the same conditions and at the same price of the Units/ADSs initially offered (Supplemental Units), according to the options granted to Credit Suisse Securities (USA) LLC, designed to meet a possible excess of demand over the Global Offering (Supplemental Option).

Under the Article 14, paragraph 2 of CVM Instruction 400, the total number of Units initially offered (not including the supplemental Units) could be but was not, be increased by up to 4.76%, i.e., up to 25,000,000 Units, including the form of ADSs under the same conditions and at the same price initially offered the Units (Additional Units).

The Brazilian Offering was directed in the Retail Offer, to Non-Institutional Investors and the Institutional Offer to Institutional Investors.

On October 6, 2009, the Global Offering shares were priced at R$23.50 per Unit. The Units are traded on the BM&FBOVESPA and the New York Stock Exchange (NYSE) since October 7, 2009.

The other characteristics and terms set out in the "Final Global Offering Prospect for the Initial Public Offering of Certificates of Deposit Shares (Units) Issuance of Banco Santander (Brasil) S.A" dated October 6, 2009, and the Notice to the Market, available at www.santander.com.br and the website of the CVM and its English version of the Preliminary Prospectus on Form-F1, available on the SEC website.

On October 29, 2009, the Bacen ratified the capital increase due to the completion of the Global Offering, and the partial fulfillment of the International Supplemental Option on October 29, 2009.

The results of the Global Offering was disclosed under the closing announcement published in issues of Valor Econômico on November 10, 2009.

2. Corporate Restructuring

a) Merger of Shares of Banco ABN AMRO Real S.A. (Banco Real) and ABN AMRO Brasil Dois Participações S.A. (AAB Dois Par)

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 Bacen.

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; (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 to R$47,152,201 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 Santander Group 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.

There merger of shares was approved by Bacen on January 27, 2009.

b) Merger of Banco Real and Sudameris Distribuidora de Títulos e Valores Mobiliários S.A. (Sudameris DTVM)

The executive committees of Banco Santander and Banco Real approved and decided to submit to the approval of the Board of Directors of Santander and its respective stockholders the corporate restructuring proposal as set out by the "Merger Agreement of Banco ABN AMRO Real S.A. by Banco Santander S.A." (the "Agreement").

The Mergers will be carried out through the transfer of the book net assets of the Merged Companies to the equity of the Merger, based on the audited balance sheets as of March 31, 2009.Changes in equity occurring between the date of said balance sheets and the completion of the Mergers, on April 30, 2009 (date of the Extraordinary Shareholders' Meetings that approve the Mergers) were recognized and recorded directly by the Acquirers.

As the Mergers involved wholly-owned subsidiaries, (i) determining a share exchange ratio; (ii) defining withdrawal rights; (iii) increasing the capital of Banco Santander and Banco Real, and (iv) changing the voting, dividend or any other equity or corporate rights to which the stock issues by Banco Santander is currently entitled were not necessary as a result of these transactions.

	Amounts in thousands of Brazilian reais	
	Banco Real	**Sudameris DTVM**
Merger transactions		
Total Assets	181,041,881	2,219,832
Current and Long-term Liabilities	168,859,924	46,626
Stockholders' Equity	12,181,957	2,173,206

The merger of sum of assets of Sudameris DTVM was approved by Bacen on August 19, 2009 and the merger of Banco Real is still in ratification process.

c) Merger of Shares of Santander Seguros S.A. (Santander Seguros), Banco Commercial e de Investimento Sudameris S.A. (BCIS) and Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A. (Santander Brasil Asset)

The Extraordinary Stockholders" Meeting held on August 14, 2009, of Banco Santander, Santander Seguros S.A. (Santander Seguros), Banco Commercial e de Investimento Sudameris S.A.

The Merger Agreement establishes the reasons and conditions for the corporate restructuring consisting of the merger of all the shares of Santander Seguros, Banco BCIS and Santander Brasil Asset into the equity of Banco Santander (Share Merger). As a result of the Share Merger, Santander Seguros, Banco BCIS and Santander Brasil Asset (Merged Companies) were transformed into wholly-owned subsidiaries of Banco Santander (Merging Company), under Article 252 of Law 6404/76 and the stockholders' equity of Banco Santander was increased in the amount of R$2,471,413 thousand to the corresponding value of the shares of Santander Seguros, the BCIS and Santander Asset Brazil, through the issuance of 14,410,886 shares (7,710,343 shares and 6,700,543 preferred shares), all registered shares with no par value, delivered to the respective shareholders of the Merged Companies.

The balance sheets of Banco Santander, Santander Seguros, Banco BCIS and Santander Brasil Asset as of June 30, 2009 consist of the basic balance sheets of the Share Mergers.

Due to this transaction consists of a share merger, as set out in Law, the legal personality of the merged companies was maintained and the changes in equity subsequent to the date of their balance sheets were properly recorded in their accounting books.

Balance sheets as of June 30, 2009 are presented below. The purpose of this information is to provide the position of impacts on equity related to these acquisitions.

	Amounts in thousands of Brazilian reais		
	Santander Seguros	**BCIS**	**Santander Brasil Asset**
Balance sheets			
Total Assets	9,334,385	2,242,836	106,895
Current and Long-term Liabilities	6,946,387	195,553	27,528
Stockholders' Equity	2,387,998	2,047,283	79,367

Santander Seguros' shares incorporation caused mutual owmership for Banco Santander and Santander Seguros. This united ownership will be eliminated within one year after the of the Extraordinary Stockholders´ meeting which have approved the shares incorporation, as stablished by the current regulation.

The merger of shares was approved by Bacen on September 28, 2009.

d) Merger of BCIS and ABN AMRO Administradora de Cartões de Crédito Ltda. (AA Cartões)

The Extraordinary Stockholders" Meeting of Banco BCIS and Banco Santander and the Partners' Meeting of AA Cartões, held on August 31, 2009, were approved the corporate restructuring proposal pursuant to the terms and conditions of the "Agreement and Plan of Merger of Shares of Banco Commercial e de Investimento Sudameris S.A. and ABN Amro Administradora de Cartões de Crédito Ltda by Banco Santander (Brasil) S.A."

The merger was carried out through the transfer of the book net assets of the Merged Companies to the equity of the Merging Company, based on the audited balance sheets as of June 30, 2009. Changes in equity occurring between the date of said balance sheets and the completion of the mergers (date of the corresponding Extraordinary Stockholders' Meetings that approve the mergers) were recognized and recorded directly by the Merging Company.

Merger transactions	Amounts in thousands of Brazilian reais	
	BCIS	AA Cartões
Total Assets	2,242,836	299,148
Current and Long-term Liabilities	195,553	19,987
Stockholders' Equity	2,047,283	279,161

Merger transactions	Amounts in thousands of Brazilian reais	
	Banco Santander	Advisory
Total Assets	1.285,654	69,413
Current and Long-term Liabilities	375,309	-
Stockholders' Equity	910,345	69,413

The corporate restructuring mentioned above, represent steps in the process of consolidating the investments in Brazil, with a consequent strengthening of its operational structure and organizational unification of their activities.

The Spin-off Agreement with transfer of all its Equity to Banco Santander is subject to approval by Bacen.

e) Full spin-off of Santander Investimentos e Participações (Santander Participações) with the transfer of portions of its equity to Banco Santander and Santander Advisory Services S.A. (Advisory)

The Extraordinary Stockholders" Meeting held on August 31, 2009, of Banco Santander, Santander Participações and Advisory were approved the corporate restructuring proposal pursuant to the terms and conditions of the "Spin-off Agreement and Plan of Santander Investimentos e Participações S.A., with transfer of all its Equity to Banco Santander (Brasil) S.A. and Santander Advisory Services S.A." (the Spin-off Agreement).

The Spin-off Agreement establishes the reasons and conditions for the corporate restructuring consisting of the full spin-off of Santander Participações (the "Spun-off Company"), its termination and the transfer of its equity to Banco Santander and Advisory (Spin-off).

Under the Spin-off Agreement, the stockholders' equity of the Spun-off Company was appraised based on the balance as of June 30, 2009. As a result of the Spin-off (a) the Spun-off Company was terminated; (b) all assets, rights, liabilities, obligations and liabilities of the Spun-off Company related to the spun-off net assets were automatically and respectively transferred to the net assets of Banco Santander and Advisory, which became the successors of all its rights and obligations related to the spun-off net assets.

f) Other reorganizations of Banco Santander´s controlled companies.

Still related to part of the social restructuring process of the Conglomerate companies, several reorganizations were implemented within Banco Santander´s controlled companies:

- Incorporation of AAB Dois Par and Real Seguros Vida e Previdência S.A. (current denomination of Real Tokio Marine Vida e Previdência S.A.) by Santander Seguros S.A.. The incorporation and denomination alteration are been ratified by Susep;
- Incorporation of Real Capitalização S.A. by Santander Capitalização S.A., which is being ratified by Susep;
- Incorporation of Cruzeiro Factoring Sociedade de Fomento Commercial Ltda. and Credicenter Empreendimentos e Promoções Ltda. by AA Cartões;
- Incorporation of Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda. by Santander Brasil Asset, which is being ratified by Bacen;
- Incorporation of ABN AMRO Arrendamento Mercantil S.A. by Santander Leasing S.A. Arrendamento Mercantil, ratified by Bacen on November 30, 2009;
- Incorporation of Santander Brasil Arrendamento Mercantil S.A. by Santander Leasing S.A. Arrendamento Mercantil, which is being ratified by Bacen;

- Incorporation of Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários by Santander S.A. – Corretora de Câmbio e Títulos, wich is being ratified by Bacen;
- Parcial spin-off of Santander Corretora de Câmbio e Valores Mobiliários S.A. with transfer of the net assets to Santander S.A. – Corretora de Câmbio e Títulos, still being ratified by Bacen.

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 Susep when applicable. 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.

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, for periods prior to September 2008, the Santander Seguros and its subsidiaries and Santander Asset Brasil, both for periods prior to July 2009, 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.

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 Bacen.

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 Bacen 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.

Permanent losses in the realization value of available-for-sale and held-to-maturity securities are recognized in the statement of income.

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 merger 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 Related to the Insurance, Pension Plan and Capitalization Activities

Technical reserves are recognized and calculated in accordance with the provisions and criteria established in CNSP Resolutions 139/2005 and 162/2006, changed by CNSP Resolution 181/2007, 195/2008 and 204/2009, and SUSEP Circular 288/2005.

i.1) Insurance and Pension Plan

I – Unearned Premium Reserve (PPNG)

The Unearned Premium Reserve (PPNG) is recognized based on the portions of retained premiums corresponding to the policies' unelapsed risk periods calculated on a daily pro rata basis.

II – Unearned Premium Reserve – Unissued Current Risks (PPNG-RVNE)

The purpose of the unearned premium reserve for unissued current risks ("PPNG-RVNE") is to estimate the portion of unearned premiums referring to assumed risks whose corresponding policies are not issued.

III - Premium Deficiency Reserve (PIP)

These resolutions also established the Premium Deficiency Reserve for when the unearned premium reserve is not sufficient to cover claims plus administrative expenses to incur, situation verified through actuarial calculation.

IV - Unexpired Risk Reserve (PRNE)

The unexpired risk reserve is calculated on a daily pro rata basis based on net contributions released during the month and its objective is to provision the contribution installment corresponding to the nonincurred risk period, counted as of the calculation date.

V - Contribution Deficiency Reserve (PIC)

The contribution deficiency reserve is recognized to provision deviations in relation to mathematical reserves' technical bases for current and future benefits. The biometric tables used as parameter for the recognition consider for the survival of female and male participants the AT2000 Male table and the plan interest rate.

VI - Administrative Expenses Reserve (PDA)

The administrative expenses reserve is recognized to cover possible expenses arising from the payment of current and future benefits, according to the methodology described in the Actuarial Technical Note (NTA).

VII - Supplementary Premium Reserve (PCP)

The supplementary premium reserve is calculated on a daily pro rata basis, based on beginning and ending dates of the risk period and net retained commercial premiums or contributions. The reserve amount is the difference, when positive, between the average of the sum of amounts calculated daily during the recording month and PPNG (Insurance) and PRNE (Pension Plan) recognized in the month, considering all prevailing risks, issued or not, received or not.

VIII - Mathematical Reserves for Current and Future Benefits (PMBaC and PMBC)

Mathematical reserves for future benefits are recognized based on contributions made under the capitalization financial system. The mathematical reserves for current benefits represent commitments under continued income plans which are recognized through actuarial calculation for the traditional, pension plan (PGBL) and cash value life insurance (VGBL) plans.

IX – Claims Payable Reserve (PSL)

The reserve for claims payable is recognized based on notices received by the insurance company related to insurance and coinsurance claims which were accepted but not yet paid.

X - Reserve for Losses Incurred but Not Reported (IBNR reserve)

The provision for losses incurred but not reported is recognized based on actuarial technical note or on the historical estimate between the claim occurrence date and its report, in accordance with CNSP Resolution 162/2006 (changed by CNSP Resolution 181/2007, 195/2008 and 204/2009) for Insurance and SUSEP Circular Letter 288/2005 for Pension Plan. The DPVAT reserve, included in the balance of the provision for losses incurred but not reported is recognized based on information provided by the management of the Fenaseg (National Federation of Private Insurance and Capitalization Companies). As of March 2008, DPVAT is managed by Seguradora Líder - DPVAT.

XI - Reserve for Future Policy Benefits (PBaR)

The Reserve for Future Policy Benefits is recognized based on the claims notice and the past due risks or lump-sum amounts payable.

XII-Reserve for Oscillation Risk (POR)

The reserve of oscillation of risks is made to cover any gaps in the commitments expected, and is calculated according to methodology described in the Technical Note Actuarial NTA.

XIII -Financial Surplus Reserve (PEF)

The surplus reserve represents the surplus amounts accrued to be used according to plan regulations.

XIV -Financial Fluctuation Reserve (POF)

The financial fluctuation reserve is recognized to prevent possible future deficiencies arising from the mismatch between inflation adjustment index and interest rate guaranteed in mathematical reserves.

XV -Reserve for Surrenders and/ or Other Future Policy Benefits

Corresponds to amounts related to surrenders and returns of contributions/premiums and the portability requested which, for any reason, have not yet been transferred.

i.2) Capitalization

The technical reserve of the savings bonds are determined by a percentage applied to amounts received from subscribers, as required under its Actuarial Note for each product and the conditions of each proposal, and updated monthly by the Basic Reference Rate (TR) applied to savings accounts and capitalized at a rate of 0.5 per month and may be redeemed under the conditions described in the title of capitalization. The monetary and interest credited to technical reserve are recorded as financial expenses.

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% 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

Nonfinancial Assets are subject to the assessment of recoverable values on an annual or more frequently if conditions or circumstances indicate the possibility of impairment.

5. Cash and Cash Equivalents

	In Thousands of Brazilian Reais			
	Bank		Consolidated	
	2009	2008	2009	2008
Cash	**5,597,548**	**2,449,760**	**5,623,834**	**5,087,316**
Interbank Investments	**12,910,596**	**21,436,353**	**12,760,332**	**22,290,330**
Money Market Investments	11,257,097	12,857,439	11,257,066	12,857,439
Interbank Deposits	266,347	258,455	116,114	687,952
Foreign Currency Investments	1,387,152	8,320,459	1,387,152	8,744,939
Total	**18,508,144**	**23,886,113**	**18,384,166**	**27,377,646**

6. Interbank Investments

In Thousands of Brazilian Reais

				2009	2008
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Money Market Investments	**13,056,416**	**8,278,300**	**-**	**21,334,716**	**18,108,018**
Own Portfolio	**3,936,309**	**3,178,007**	**-**	**7,114,316**	**4,146,917**
Treasury bills - LFT	2,238,363	-	-	2,238,363	11
National Treasury bills - LTN	380,662	543,103	-	923,765	668,696
National Treasury notes - NTN	1,255,966	2,634,904	-	3,890,870	3,445,301
Securities Issued Abroad By The Brazilian Government	61,318	-	-	61,318	3 ,154
Others	-	-	-	-	29,755
Third-party Portfolio	**7,493,102**	**2,126,478**	**-**	**9,619,580**	**12,964,202**
Treasury Bills - LFT	2,272,809	-	-	2,272,809	1,002,293
National Treasury Bills - LTN	442,912	672,968	-	1,115,880	4,651,878
National Treasury Notes - NTN	4,777,381	1,453,510	-	6,230,891	7,310,031
Sold Position	**1,627,005**	**2,973,815**	**-**	**4,600,820**	**996,899**
National Treasury Notes - NTN	1,627,005	2,973,815	-	4,600,820	996,899
Interbank Deposits	**6,441,540**	**9,908,633**	**6,365,510**	**22,715,683**	**4,241,929**
Foreign Currency Investments	**1,387,152**	**276**	**344,886**	**1,732,314**	**8,786,100**
Allowance for Losses	**-**	**-**	**(200)**	**(200)**	**(200)**
Total	**20,885,108**	**18,187,209**	**6,710,196**	**45,782,513**	**31,135,847**
Current				**39,072,317**	**29,452,723**
Long-term				**6,710,196**	**1,683,124**

In Thousands of Brazilian Reais

	Consolidated				
				2009	2008
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Money Market Investments	**13,056,416**	**8,278,300**	**-**	**21,334,716**	**18,126,140**
Own Portfolio	**3,936,309**	**3,178,007**	**-**	**7,114,316**	**5,585,339**
Treasury bills - LFT	2,238,363	-	-	2,238,363	44,344
National Treasury bills - LTN	380,662	543,103	-	923,765	668,696
National Treasury notes - NTN	1,255,966	2,634,904	-	3,890,870	4,821,268
Securities Issued Abroad By The Brazilian Government	61,318	-	-	61,318	3,154
Others	-	-	-	-	47,877
Third-party Portfolio	**7,493,102**	**2,126,478**	**-**	**9,619,580**	**11,543,902**
Treasury Bills - LFT	2,272,809	-	-	2,272,809	957,959
National Treasury Bills - LTN	442,912	672,968	-	1,115,880	4,651,878
National Treasury Notes - NTN	4,777,381	1,453,510	-	6,230,891	5,934,065
Sold Position	**1,627,005**	**2,973,815**	**-**	**4,600,820**	**996,899**
National Treasury Notes - NTN	1,627,005	2,973,815	-	4,600,820	996,899
Interbank Deposits	**2,291,912**	**3,884,010**	**930,943**	**7,106,865**	**9,930,593**
Foreign Currency Investments	**1,387,152**	**276**	**344,886**	**1,732,314**	**9,210,730**
Allowance for Losses	**-**	**-**	**(200)**	**(200)**	**(200)**
Total	**16,735,480**	**12,162,586**	**1,275,629**	**30,173,695**	**37,267,263**
Current				**28,898,066**	**34,076,639**
Long-term				**1,275,629**	**3,190,624**

7. Securities and Derivatives

a) Securities

I) By Category

In Thousands of Brazilian Reais

	Bank				
				2009	2008
		Effect of adjustment to fair value on:			
	Cost	Income	Equity	Carrying amount	Carrying amount
Trading Securities	**14,221,567**	**27,606**	**-**	**14,249,173**	**9,026,890**
Government Securities	11,654,007	32,685	-	11,686,692	6,750,378
Private Securities	2,567,560	(5,079)	-	2,562,481	2,276,512
Available-for-sale Securities	**67,007,141**	**-**	**126,776**	**67,133,917**	**12,971,070**
Government Securities	37,900,336	-	131,955	38,032,291	7,909,081
Private Securities	29,106,805	-	(5,179)	29,101,626	5,061,989
Held-to-maturity Securities	**838,795**	**-**	**-**	**838,795**	**843,424**
Government Securities	838,795	-	-	838,795	843,424
Total Securities	**82,067,503**	**27,606**	**126,776**	**82,221,885**	**22,841,384**
Derivatives (Assets)	**4,801,106**	**399,781**	**-**	**5,200,887**	**7,468,687**
Total Securities and Derivatives	**86,868,609**	**427,387**	**126,776**	**87,422,772**	**30,310,071**
Current				**30,522,711**	**17,041,998**
Long-term				**17,041,998**	**13,268,073**
Derivatives (Liabilities)	**(4,272,101)**	**(139,813)**	**56,900,061**	**(4,411,914)**	**(8,448,593)**
Current				**(1,724,817)**	**(5,815,703)**
Long-term				**(2,687,097)**	**(2,632,890)**

In Thousands of Brazilian Reais

				Consolidated	
				2009	2008
		Effect of adjustment to fair value on:			
	Cost	Income	Equity	Carrying amount	Carrying amount
Trading Securities	**29,317,092**	**41,058**	**-**	**29,358,150**	**13,740,856**
Government Securities	12,392,495	37,643	-	12,430,138	9,972,444
Private Securities	2,740,950	3,415	-	2,744,365	1,183,520
Equity Fund Shares - Guarantors of Benefit Plans - PGBL/VGBL	14,183,647	-	-	14,183,647	2,584,892
Available-for-sale Securities	**43,350,109**	**-**	**123,907**	**43,474,016**	**31,062,879**
Government Securities	39,327,438	-	129,090	39,456,528	26,420,704
Private Securities	4,022,671	-	(5,183)	4,017,488	4,642,175
Held-to-maturity Securities	**1,669,720**	**-**	**-**	**1,669,720**	**1,495,208**
Government Securities	1,669,720	-	-	1,669,720	1,290,935
Private Securities	-	-	-	-	204,273
Total Securities	**74,336,921**	**41,058**	**123,907**	**74,501,886**	**46,298,943**
Derivatives (Assets)	**4,793,895**	**394,977**	**-**	**5 ,188,872**	**9,525,530**
Total Securities and Derivatives	**79,130,816**	**436,035**	**123,907**	**79,690,758**	**55,824,473**
Current				**45,673,813**	**26,509,181**
Long-term				**34,016,945**	**29,315,292**
Derivatives (Liabilities)	**(4,264,639)**	**(139,963)**	**-**	**(4,404,602)**	**(11,615,283)**
Current				**(1,717,678)**	**(7,763,795)**
Long-term				**(2,686,924)**	**(3,851,488)**

II) Trading Securities

In Thousands of Brazilian Reais

	Bank			
			2009	2008
	Cost	Adjustment to fair value - Income	Carrying amount	Carrying amount
Trading Securities				
Government Securities	11,654,007	32,685	11,686,692	6,750,378
Treasury Certificates - CFT	54,003	11,880	65,883	50,978
National Treasury Bills - LTN	4,349,739	64	4,349,803	2,319,758
Treasury Bills - LFT	604,528	95	604,623	1,093,662
National Treasury Notes - NTN B	4,765,092	22,625	4,787,717	2,207,502
National Treasury Notes - NTN C	166,072	4,024	170,096	22,631
National Treasury Notes - NTN F	1,400,403	(2,424)	1,397,979	792,261
Agricultural Debt Securities - TDA	258,414	(2,755)	255,659	208,918
Global Bonds	55,756	(824)	54,932	54,668
Private Securities	**2,567,560**	**(5,079)**	**2,562,481**	**2,276,512**
Shares	225,285	(7,159)	218,126	152,999
Receivables Investment Fund - FIDC [(1)]	106,746	-	106,746	248,776
Investment Fund Shares in Participation - FIP	310,488	-	310,488	102,532
Investment Fund Shares	3,992	-	3,992	-
Debentures	1,921,049	2,080	1,923,129	1,772,205
Total	**14,221,567**	**27,606**	**14,249,173**	**9,026,890**

In Thousands of Brazilian Reais

	Bank					
	2009					
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Total
Trading Securities by Maturity						
Government Securities	-	3,014,301	1,278,351	5,754,409	1,639,631	11,686,692
Treasury Certificates - CFT	-	-	-	65,883	-	65,883
National Treasury Bills - LTN	-	2,609,901	562,688	1,177,214	-	4,349,803
Treasury Bills - LFT	-	-	10,416	249,518	344,689	604,623
National Treasury Notes - NTN B	-	30,938	590,740	3,793,135	372,904	4,787,717
National Treasury Notes - NTN C	-	1,792	-	108,360	59,944	170,096
National Treasury Notes - NTN F	-	310,403	22,016	278,843	786,717	1,397,979
Agricultural Debt Securities - TDA	-	58,468	92,491	81,456	23,244	255,659
Global Bonds	-	2,799	-	-	52,133	54,932
Private Securities	**532,606**	**49,627**	**24,662**	**66,433**	**1,889,153**	**2,562,481**
Shares	218,126	-	-	-	-	218,126
Receivables Investment Fund - FIDC [(1)]	-	49,627	16,557	3,097	37,465	106,746
Investment Fund Shares in Participation - FIP	310,488	-	-	-	-	310,488
Investment Fund Shares	3,992	-	-	-	-	3,992
Debentures	-	-	8,105	63,336	1,851,688	1,923,129
Total	**532,606**	**3,063,928**	**1,303,013**	**5,820,842**	**3,528,784**	**14,249,173**

In Thousands of Brazilian Reais

	Consolidated			
	2009			2008
	Cost	Adjustment to fair value - Income	Carrying amount	Carrying amount
Trading Securities				
Government Securities	12,392,495	37,643	12,430,138	9,972,444
Treasury Certificates - CFT	54,003	11,880	65,883	50,978
National Treasury Bills - LTN	4,349,737	64	4,349,801	3,949,867
Treasury Bills - LFT	1,244,252	(130)	1,244,122	1,366,168
National Treasury Notes - NTN B	4,835,106	26,743	4,861,849	2,207,502
National Treasury Notes - NTN C	186,786	5,089	191,875	22,631
National Treasury Notes - NTN F	1,408,441	(2,424)	1,406,017	1,710,367
Agricultural Debt Securities - TDA	258,414	(2,755)	255,659	208,980
Global Bonds	55,756	(824)	54,932	455,951
Private Securities	**2,740,950**	**3,415**	**2,744,365**	**1,183,520**
Shares	225,302	(7,159)	218,143	154,652
Receivables Investment Fund - FIDC [(1)]	106,746	-	106,746	248,776
Investment Fund Shares in Participation - FIP	310,488	-	310,488	102,532
Investment Fund Shares	1,966,257	-	1,966,257	590,298
Debentures	73,491	2,080	75,571	87,262
Bank Certificates of Deposits - CDB	58,666	8,494	67,160	-
Equity Fund Shares - Guarantors of Benefit Plans - PGBL/VGBL	**14,183,647**	**-**	**14,183,647**	**2,584,892**
Total	**29,317,092**	**41,058**	**29,358,150**	**13,740,856**

In Thousands of Brazilian Reais

	Consolidated					
	2009					
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Total
Trading Securities by Maturity						
Government Securities	-	3,068,648	1,423,450	6,118,298	1,819,742	12,430,138
Treasury Certificates - CFT	-	-	-	65,883	-	65,88
National Treasury Bills - LTN	-	2,609,899	562,688	1,177,214	-	4,349,801
Treasury Bills - LFT	-	46,124	155,487	549,487	493,024	1,244,122
National Treasury Notes - NTN B	-	31,124	590,768	3,857,055	382,902	4,861,849
National Treasury Notes - NTN C	-	1,793	-	108,360	81,722	191,875
National Treasury Notes - NTN F	-	318,441	22,016	278,843	786,717	1,406,017
Agricultural Debt Securities - TDA	-	58,468	92,491	81,456	23,244	255,659
Global Bonds	-	2,799	-	-	52,133	54,932
Private Securities	**2,494,888**	**85,232**	**53,565**	**73,215**	**37,465**	**2,744,365**
Shares	218,143	-	-	-	-	218,143
Receivables Investment Fund - FIDC [(1)]	-	49,627	16,557	3,097	37,465	106,746
Investment Fund Shares in Participation - FIP	310,488	-	-	-	-	310,488
Investment Fund Shares	1,966,257	-	-	-	-	1,966,257
Debentures	-	4,137	8,105	63,329	-	75,571
Bank Certificates of Deposits - CDB	-	31,468	28,903	6,789	-	67,160
Equity Fund Shares - Guarantors of Benefit Plans - PGBL/VGBL	**14,183,647**	**-**	**-**	**-**	**-**	**14,183,647**
Total	**16,678,535**	**3,153,880**	**1,477,015**	**6,191,513**	**1,857,207**	**29,358,150**

III) Available-for-sale Securities

In Thousands of Brazilian Reais

				Bank
			2009	**2008**
	Cost	**Adjustment to fair value - Income**	**Carrying amount**	**Carrying amount**
Avaiable-for-sale Securities				
Government Securities	**37,900,336**	**131,955**	**38,032,291**	**7,909,081**
Treasury Certificates - CFT	77,593	23,872	101,465	78,547
Securitized Credit	1,021	529	1,550	1,395
National Treasury Bills - LTN	9,599,726	4,533	9,604,259	3,211,372
Treasury Bills - LFT	2,473,104	(71)	2,473,033	260,733
National Treasury Notes - NTN A	115,996	(6,228)	109,768	115,337
National Treasury Notes - NTN B	1,938,409	4,329	1,942,738	1,855,813
National Treasury Notes - NTN C	552,122	270,657	822,779	799,455
National Treasury Notes - NTN F	22,507,677	(171,619)	22,336,058	1,586,140
National Treasury Notes - NTN P	103	(12)	91	82
Agricultural Debt Securities - TDA	47	-	47	207
Global Bonds	268,286	5,965	274,251	-
Foreign Government Securities	**366,252**	**-**	366,252	-
Private Securities	29,106,805	(5,179)	**29,101,626**	**5,061,989**
Shares	821,681	(44,204)	777,477	347,788
Debentures	25,986,172	17,555	26,003,727	2,812,661
Eurobonds	172,671	(12,087)	160,584	231,581
Promissory Notes - NP	1,281,142	3,119	1,284,261	1,447,819
Real Estate Credit Notes - CCI	24,543	-	24,543	24,947
Agribusiness Receivables Certificates - CDCA	8,104	(1,421)	6,683	-
Certificates of Real Estate Receivables - CRI	**812,492**	**31,859**	844,351	197,193
Total	**67,007,141**	**1 26,776**	**67,133,917**	**12,971,070**

In Thousands of Brazilian Reais

	Bank					
	2009					
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Total
Avaiable-for-sale Securities by Maturity						
Government Securities	**-**	**11,266,351**	**233,756**	**5,549,184**	**20,983,000**	**38,032,291**
Treasury Certificates - CFT	-	-	-	101,154	311	101,465
Securitized Credit	-	-	-	-	1,550	1,550
National Treasury Bills - LTN	-	9,604,259	-	-	-	9,604,259
Treasury Bills - LFT	-	-	-	-	2,473,033	2,473,033
National Treasury Notes - NTN A	-	-	875	-	108,893	109,768
National Treasury Notes - NTN B	-	7,331	232,798	116,229	1,586,380	1,942,738
National Treasury Notes - NTN C	-	12,744	-	-	810,035	822,779
National Treasury Notes - NTN F	-	1,638,011	-	4,695,249	16,002,798	22,336,058
National Treasury Notes - NTN P	-	-	68	23	-	91
Agricultural Debt Securities - TDA	-	-	15	32	-	47
Global Bonds	-	4,006	-	270,245	-	274,251
Foreign Government Securities	-	-	-	366,252	-	366,252
Private Securities	**777,477**	**221,036**	**1,272,166**	**489,454**	**26,341,493**	**29,101,626**
Shares	777,477	-	-	-	-	777,477
Debentures	-	39,246	121,021	478,873	25,364,587	26,003,727
Eurobonds	-	373	3	-	160,208	160,584
Promissory Notes - NP	-	144,600	1,139,661	-	-	1,284,261
Real Estate Credit Notes - CCI	-	3,563	-	3,898	17,082	24,543
Agribusiness Receivables Certificates - CDCA	-	-	-	6,683	-	6,683
Certificates of Real Estate Receivables - CRI	-	33,254	11,481	-	799,616	844,351
Total	**777,477**	**11,487,387**	**1,505,922**	**6,038,638**	**47,324,493**	**67,133,917**

In Thousands of Brazilian Reais

	Consolidated			
			2009	2008
	Cost	Adjustment to fair value - Income	Carrying amount	Carrying amount
Avaiable-for-sale Securities				
Government Securities	**39,327,438**	**129,090**	**39,456,528**	**26,420,704**
Treasury Certificates - CFT	77,593	23,872	101,465	78,547
Securitized Credit	1,021	529	1,550	1,395
National Treasury Bills - LTN	9,840,307	3,956	9,844,263	14,455,582
Treasury Bills - LFT	2,619,031	776	2,619,807	652,438
National Treasury Notes - NTN A	115,996	(6,228)	109,768	115,337
National Treasury Notes - NTN B	2,131,259	4,281	2,135,540	2,081,930
National Treasury Notes - NTN C	552,122	270,657	822,779	799,455
National Treasury Notes - NTN F	23,355,421	(174,706)	23,180,715	8,235,039
National Treasury Notes - NTN M	-	-	-	692
National Treasury Notes - NTN P	103	(12)	91	82
Agricultural Debt Securities - TDA	47	-	47	207
Global Bonds	268,286	5,965	274,251	-
Foreign Government Securities	366,252	-	366,252	-
Private Securities	**4,022,671**	**(5,183)**	**4,017,488**	**4,642,175**
Shares	821,681	(44,204)	777,477	578,757
Receivables Investment Fund - FIDC (1)	-	-	-	27,773
Investment Fund Shares in Participation - FIP	-	-	-	15,698
Debentures	901,558	17,551	919,109	1,108,186
Eurobonds	172,671	(12,087)	160,584	231,581
Promissory Notes - NP	1,281,142	3,119	1,284,261	1,988,906
Bank Certificates of Deposits - CDB	480	-	480	100,150
Real Estate Credit Notes - CCI	24,543	-	24,543	24,947
Agribusiness Receivables Certificates - CDCA	8,104	(1,421)	6,683	8,462
Certificates of Real Estate Receivables - CRI	812,492	31,859	844,351	557,240
Others	-	-	-	475
Total	**43,350,109**	**123,907**	**43,474,016**	**31,062,879**

In Thousands of Brazilian Reais

						Consolidated
						2009
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Total
Avaiable-for-sale Securities by Maturity						
Government Securities	**-**	**11,283,977**	**235,244**	**6 ,370,535**	**21,566,772**	**39,456,528**
Treasury Certificates - CFT	-	-	-	101,154	311	101,465
Securitized Credit	-	-	-	-	1,550	1,550
National Treasury Bills - LTN	-	9,608,980	-	235,283	-	9,844,263
Treasury Bills - LFT	-	-	-	4,774	2,615,033	2,619,807
National Treasury Notes - NTN A	-	-	875	-	108,893	109,768
National Treasury Notes - NTN B	-	7,331	234,286	169,366	1,724,557	2,135,540
National Treasury Notes - NTN C	-	12,744	-	-	810,035	822,779
National Treasury Notes - NTN F	-	1,650,916	-	5,223,406	16,306,393	23,180,715
National Treasury Notes - NTN P	-	-	68	23	-	91
Agricultural Debt Securities - TDA	-	-	15	32	-	47
Global Bonds	-	4,006	-	270,245	-	274,251
Foreign Government Securities	-	-	-	366,252	-	366,252
Private Securities	**777,477**	**221,516**	**1,273,692**	**490,822**	**1,253,981**	**4,017,488**
Shares	777,477	-	-	-	-	777,477
Debentures	-	39,246	122,547	480,241	277,075	919,109
Eurobonds	-	373	3	-	160,208	160,584
Promissory Notes - NP	-	144,600	1,139,661	-	-	1,284,261
Bank Certificates of Deposits - CDB	-	480	-	-	-	480
Real Estate Credit Notes - CCI	-	3,563	-	3,898	17,082	24,543
Agribusiness Receivables Certificates - CDCA	-	-	-	6,683	-	6,683
Certificates of Real Estate Receivables - CRI	-	33,254	11,481	-	799,616	844,351
Total	**777,477**	**11,505,493**	**1,508,936**	**6,861,357**	**22,820,753**	**43,474,016**

[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.

IV) Held-to-maturity Securities

In Thousands of Brazilian Reais

						Bank
						2009
	Cost/Carrying Amount					by Maturity
	2009	2008	Up to 3 months	From 3 to 12 months	Over 3 years	Total
Held-to-maturity Securities [1]						
Government Securities	**838,795**	**843,424**	**21,409**	**2,294**	**815,092**	**838,795**
National Treasury Notes - NTN C	827,539	843,424	19,875	-	807,664	827,539
National Treasury Notes - NTN I	11,256	-	1,534	2,294	7,428	11,256
Total	**838,795**	**843,424**	**21,409**	**2,294**	**815,092**	**838,795**

						Consolidated
						2009
	Cost/Carrying Amount					by Maturity
	2009	2008	Up to 3 months	From 3 to 12 months	Over 3 years	Total
Held-to-maturity Securities [1]						
Government Securities	**1,669,720**	**1,290,935**	**47,859**	**2,576**	**1,619,285**	**1,669,720**
National Treasury Notes - NTN B	228,697	109,580	4,339	282	224,076	228,697
National Treasury Notes - NTN C	1,429,767	1,152,039	41,986	-	1,387,781	1,429,767
National Treasury Notes - NTN I	11,256	26,728	1,534	2,294	7,428	11,256
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	**1,669,720**	**1,495,208**	**47,859**	**2,576**	**1,619,285**	**1,669,720**

In accordance with Bacen 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 BMF&Bovespa stock exchange. Adjustments to these curves are made whenever certain points are considered illiquid, or when, for unusual reasons, they do not fairly represent market conditions.

[1]Market value of held-to-maturity securities is R$ 1,280,511 in the Bank and R$2,157,238 in Consolidated (2008 - R$1,244,349 in the Bank and R$1,956,670 in the Consolidated),
[2]On December 31, 2009, includes R$830,925 of held-to-maturity securities of Santander Seguros (Note 2),

V) Financial Income -Securities Transactions

	In Thousands of Brazilian Reais			
	Bank		Consolidated	
	2009	2008	2009	2008
Income From Fixed-income Securities	3,459,919	4,525,787	2,252,457	5,233,676
Income From Interbank Investments	4,193,583	2,245,160	3,420,368	2,657,283
Income From Variable-income Securities	203,615	(284,340)	244,947	(215,121)
Other	62,794	39,879	76,160	61,922
Total	**7,919,911**	**6,526,486**	**5,993,932**	**7,737,760**

b) Derivatives

I) Derivatives recorded in memorandum and balance sheets

In Thousands of Brazilian Reais

	Bank					
	2009			2008		
		Trading			Trading	
	Notional	Cost	Fair Value	Notional	Cost	Fair Value
Swap		**713,091**	**1,009,418**		**(854,963)**	**(799,964)**
Asset	**91,676,828**	**17,887,506**	**18,100,969**	**72,531,467**	**11,575,390**	**11,854,580**
CDI (Interbank Deposit Rates) (1)	32,792,477	10,894,896	11,131,990	28,206,918	5,450,602	5,471,960
Fixed Interest Rate - Reais	9,183,696	6,992,610	6,968,979	6,401,816	4,982,884	5,255,863
Indexed to Price and Interest Rates	9,084,347	-	-	9,293,497	-	-
Indexed to Foreign Currency (1)	40,616,308	-	-	27,309,215	-	-
Other Indexes	-	-	-	1,320,021	1,141,904	1,126,757
Liabilities	**90,963,737**	**(17,174,415)**	**(17,091,551)**	**73,386,430**	**(12,430,353)**	**(12,654,544)**
CDI (interbank deposit rates)	21,897,581	-	-	22,756,316	-	-
Fixed Interest Rate - Reais	2,191,086	-	-	1,418,932	-	-
Indexed to Price and Interest Rates	14,693,101	(5,608,754)	(5,357,343)	11,861,241	(2,567,744)	(2,466,640)
Indexed to Foreign Currency (1)	52,149,259	(11,532,951)	(11,706,541)	37,171,824	(9,862,609)	(10,187,904)
Other Indexes	32,710	(32,710)	(27,667)	178,117	-	-
Options	**210,580,935**	**(295,810)**	**(306,410)**	**212,623,490**	**(1,490,378)**	**(1,692,118)**
Purchased Position	**100,621,439**	**541,139**	**570,923**	**91,029,139**	**1,594,150**	**2,734,350**
Call Option - Dollar	7,817,978	258,022	156,932	12,131,587	1,171,183	2,255,013
Put Option - Dollar	2,887,722	80,404	95,328	8,340,926	157,523	104,943
Call Option - Other (2)	45,304,774	122,454	51,397	36,236,913	201,312	138,437
Put Option - Other (2)	44,610,965	80,259	267,266	34,319,713	64,132	235,957
Sold Position	**109,959,496**	**(836,949)**	**(877,333)**	**121,594,351**	**(3,084,528)**	**(4,426,468)**
Call Option - Dollar	12,636,309	(398,891)	(212,672)	22,309,882	(2,286,649)	(3,555,888)
Put Option - Dollar	5,641,480	(222,978)	(372,847)	15,585,970	(401,228)	(320,395)
Call Option - Other (2)	40,273,279	(140,391)	(71,535)	53,805,620	(285,641)	(380,020)

Put Option - Other [2]	51,408,428	(74,689)	(220,279)	29,892,879	(111,010)	(170,165)
Futures Contracts	**44,886,986**	**-**	**-**	**38,771,007**	**-**	**-**
Purchased Position	**13,285,362**	**-**	**-**	**12,593,591**	**-**	**-**
Exchange Coupon (DDI)	6,993,861	-	-	7,017,054	-	-
Interest Rates (DI1 and DIA)	5,264,962	-	-	3,887,472	-	-
Foreign Currency	952,995	-	-	1,606,793	-	-
Indexes [3]	33,339	-	-	48,429	-	-
Treasury Bonds/Notes	40,205	-	-	-	-	-
Other	-	-	-	33,843	-	-
Sold Position	**31,601,624**	**-**	**-**	**26,177,416**	**-**	**-**
Exchange Coupon (DDI)	3,082,656	-	-	4,288,048	-	-
Interest Rates (DI1 and DIA)	26,793,018	-	-	16,781,651	-	-
Foreign Currency	1,594,393	-	-	4,837,201	-	-
Indexes [3]	9,174	-	-	95,899	-	-
Treasury Bonds/Notes	122,383	-	-	88,694	-	-
Other	-	-	-	85,923	-	-
Forward Contracts and Others	**9,439,270**	**(58,207)**	**(67,654)**	**15,868,287**	**1,585,002**	**1,512,176**
Purchased Commitment	**4,015,128**	**69,236**	**116,859**	**11,850,088**	**1,703,150**	**1,625,805**
Currencies	4,015,128	67,172	114,795	11,830,481	1,696,174	1,618,870
Shares	-	2,064	2,064	6,976	6,976	6,935
Other	-	-	-	12,631	-	-
Sell Commitment	**5,424,142**	**(127,443)**	**(184,513)**	**4,018,199**	**(118,148)**	**(113,629)**
Currencies	5,424,142	(127,443)	(184,513)	3,985,759	(119,001)	(114,482)
Other	-	-	-	32,440	-	853

						Consolidated
			2009			**2008**
			Trading			**Trading**
	Notional	**Cost**	**Fair Value**	**Notional**	**Cost**	**Fair Value**
Swap		**706,429**	**997,802**		**(2,240,542)**	**(2,028,461)**
Asset	**91,377,938**	**17,821,914**	**18,031,109**	**112,234,443**	**18,139,411**	**18,354,576**
CDI (Interbank Deposit Rates) [1]	32,730,334	11,062,615	11,299,708	37,294,422	12,831,596	12,800,349
Fixed Interest Rate - Reais	8,946,949	6,759,299	6,731,401	6,160,622	4,165,911	4,427,470
Indexed to Price and Interest Rates	9,084,347	-	-	11,126,200	-	-
Indexed to Foreign Currency [1]	40,616,308	-	-	56,333,178	-	-
Other Indexes	-	-	-	1,320,021	1,141,904	1,126,757
Liabilities	**90,671,509**	**(17,115,485)**	**(17,033,307)**	**114,474,985**	**(20,379,953)**	**(20,383,037)**
CDI (interbank deposit rates)	21,667,719	-	-	24,462,826	-	-
Fixed Interest Rate - Reais	2,187,650	-	-	1,994,711	-	-
Indexed to Price and Interest Rates	14,693,101	(5,608,754)	(5,357,343)	13,628,086	(2,501,886)	(2,515,287)
Indexed to Foreign Currency [1]	52,090,329	(11,474,021)	(11,648,297)	74,211,245	(17,878,067)	(17,867,750)
Other Indexes	32,710	(32,710)	(27,667)	178,117	-	-
Options	**210,485,229**	**(288,897)**	**(299,497)**	**212,584,432**	**(607,770)**	**(1,734,558)**
Purchased Position	**100,621,439**	**541,139**	**570,923**	**92,481,061**	**1,078,141**	**2,275,921**

Call Option - Dollar	7,817,978	258,022	156,932	13,608,847	629,795	1,796,877
Put Option - Dollar	2,887,722	80,404	95,328	8,315,588	182,902	104,650
Call Option - Other (2)	45,304,774	122,454	51,397	36,236,913	201,312	138,437
Put Option - Other (2)	44,610,965	80,259	267,266	34,319,713	64,132	235,957
Sold Position	**109,863,790**	**(830,036)**	**(870,420)**	**120,103,371**	**(1,685,911)**	**(4,010,479)**
Call Option - Dollar	12,636,309	(398,891)	(212,672)	20,934,382	(863,347)	(3,140,525)
Put Option - Dollar	5,641,480	(222,978)	(372,847)	15,585,970	(426,249)	(320,104)
Call Option - Other (2)	40,177,573	(133,478)	(64,622)	53,690,140	(285,305)	(379,685)
Put Option - Other (2)	51,408,428	(74,689)	(220,279)	29,892,879	(111,010)	(170,165)
Futures Contracts	**44,886,986**	**-**	**-**	**75,360,026**	**-**	**-**
Purchased Position	**13,285,362**	**-**	**-**	**26,519,120**	**-**	**-**
Exchange Coupon (DDI)	6,993,861	-	-	13,580,134	-	-
Interest Rates (DI1 and DIA)	5,264,962	-	-	7,368,308	-	-
Foreign Currency	952,995	-	-	5,488,406	-	-
Indexes (3)	33,339	-	-	48,429	-	-
Treasury Bonds/Notes	40,205	-	-	-	-	-
Other	-	-	-	33,843	-	-
Sold Position	**31,601,624**	**-**	**-**	**48,840,906**	**-**	**-**
Exchange Coupon (DDI)	3,082,656	-	-	8,088,018	-	-
Interest Rates (DI1 and DIA)	26,793,018	-	-	35,498,376	-	-
Foreign Currency	1,594,393	-	-	4,983,996	-	-
Indexes (3)	9,174	-	-	95,899	-	-
Treasury Bonds/Notes	122,383	-	-	88,694	-	-
Other	-	-	-	85,923	-	-
Forward Contracts and Others	**9,439,270**	**(58,207)**	**(67,654)**	**16,429,235**	**1,939,904**	**1,831,717**
Purchased Commitment	**4,015,128**	**69,236**	**116,859**	**11,931,923**	**2,190,746**	**2,115,319**
Currencies	4,015,128	67,172	114,795	11,912,316	2,183,770	2,108,384
Shares	-	2,064	2,064	6,976	6,976	6,935
Other	-	-	-	12,631	-	-
Sell Commitment	**5,424,142**	**(127,443)**	**(184,513)**	**4,497,312**	**(250,842)**	**(283,602)**
Currencies	5,424,142	(127,443)	(184,513)	4,464,872	(251,695)	(284,455)
Other	-	-	-	32,440	853	853

II) Derivatives by counterparty

	Bank				
	National				
				2009	2008
	Customers	Related parties	Financial institutions [1]	Total	Total
Swap	45,879,162	20,547,563	25,250,103	91,676,828	72,531,467
Options	5,719,258	591,948	204,269,729	210,580,935	212,623,490
Futures Contracts	-	-	44,886,986	44,886,986	38,771,007
Forward Contracts and Others	4,232,634	4,990,436	216,200	9,439,270	15,868,287

	Consolidated				
	National				
				2009	2008
	Customers	Related parties	Financial institutions [1]	Total	Total
Swap	45,879,162	20,248,673	25,250,103	91,377,938	112,234,443
Options	5,719,258	496,242	204,269,729	210,485,229	212,584,432
Futures Contracts	-	-	44,886,986	44,886,986	75,360,026
Forward Contracts and Others	4,232,634	4,990,436	216,200	9,439,270	16,429,235

III) Derivatives by maturity

	Bank				
	National				
				2009	2008
	Up to 3 months	From 3 to 12 months	Ove 12 months	Total	Total
Swap	30,305,309	15,886,487	45,485,032	91,676,828	72,531,467
Options	97,356,867	61,770,883	51,453,185	210,580,935	212,623,490
Futures Contracts	21,872,461	11,283,667	11,730,858	44,886,986	38,771,007
Forward Contracts and Others	6,029,414	1,938,663	1,471,193	9,439,270	15,868,287

[1]Includes trades with the BMF&Bovespa stock exchange and other Securities and Commodities Exchanges,

	Consolidated				
	National				
				2009	2008
	Up to 3 months	From 3 to 12 months	Ove 12 months	Total	Total
Swap	30,256,852	15,792,470	45,328,616	91,377,938	112,234,443
Options	97,356,867	61,770,883	51,357,479	210,485,229	212,584,432
Futures Contracts	21,872,461	11,283,667	11,730,858	44,886,986	75,360,026
Forward Contracts and Others	6,029,414	1,938,663	1,471,193	9,439,270	16,429,235

IV) Derivatives by trade market

	Bank				
	National				
				2009	2008
	Exchange (1)	Cetip (2)	Over the counter	Total	Total
Swap	23,589,900	45,297,129	22,789,799	91,676,828	72,531,467
Options	204,123,045	6,362,184	95,706	210,580,935	212,623,490
Futures Contracts	44,886,986	-	-	44,886,986	38,771,007
Forward Contracts	-	4,232,634	5,206,636	9,439,270	15,868,287

	Consolidated				
	National				
				2009	2008
	Exchange (1)	Cetip (2)	Over the counter	Total	Total
Swap	23,531,128	45,057,011	22,789,799	91,377,938	112,234,443
Options	204,123,045	6,362,184	-	210,485,229	212,584,432
Futures Contracts	44,886,986	-	-	44,886,986	75,360,026
Forward Contracts	-	4,232,634	5,206,636	9,439,270	16,429,235

[1]Includes trades with the BMF&Bovespa stock exchange 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 the Bank and Consolidated, the volume of credit derivatives with total return rate -credit risk received corresponds to R$655,126 of cost (2008 -R$697,606) and R$527,532 of fair value, (2008 -R$696,162) and in 2008 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 R$7,498 (2008 -R$3,805).

VI) Derivatives used as Hedge instruments

Derivatives used as hedges by index are as follows:

a) Market risk hedge Bank/Consolidated Consolidated

	Bank/Consolidated			Consolidated		
	2009			2008		
	Cost	Fair Value	Adjustment to Fair value	Cost	Fair Value	Adjustment to Fair value
Hedge instruments						
Swap Contracts	**169,931**	**153,619**	**(16,312)**	**(157,759)**	**(158,451)**	**(692)**
Asset	**1,249,645**	**1,259,020**	**9,375**	**1,701,594**	**1,709,404**	**7,810**
Interbank Deposit Rates - CDI	862,027	867,810	5,783	1,701,594	1,709,404	7,810
Indexed to Foreign Currency - Pound	387,618	391,210	3,592	-	-	-
Liabilities	**(1,079,714)**	**(1,105,401)**	**(25,687)**	**(1,859,353)**	**(1,867,855)**	**(8,502)**
Indexed to Foreign Currency - Dolar	(1,075,922)	(1,101,588)	(25,666)	(1,612,926)	(1,620,756)	(7,830)
Fixed Interest Rate - Reais	(3,792)	(3,813)	(21)	(246,427)	(247,099)	(672)
Hedge Object						
Credit Portfolio	**1,073,020**	**1,100,046**	**27,026**	**1,856,582**	**1,867,822**	**11,240**
Indexed to Foreign Currency - Dolar	681,613	704,753	23,140	1,610,155	1,620,723	10,568
Indexed to Foreign Currency - Pound	387,615	391,480	3,865	-	-	-
Fixed Interest Rate - Reais	3,792	3,813	21	246,427	247,099	672

b) Cash flow hedge

In the Bank and in the Consolidated include cash flow hedge -Future DI, with notional value of R$15,924,094 (2008 -R$18,055,336 in the Consolidated), and maturities from January 4, 2010 to January 2, 2012. The mark-to-market effect is recorded in stockholders' equity and corresponds to a debit of R$262,695 (2008 -R$85,917 in the Consolidated), net of taxes. The curve value and the fair values of transactions classified as hedges, Bank Certificates of Deposit (CDBs), is R$15,337,856 (2008 -R$18,308,306 in the Consolidated).

The effectiveness obtained for the hedge portfolio as of December 31, 2009 and 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 BMF&Bovespa stock exchange derivative transactions are comprised of federal government securities in the amount of R$2,298,561 in the Bank and Consolidated (2008 •R$4,132,707 in the Bank and R$7,953,041 in the Consolidated).

VIII) Financial Instruments Recorded in Assets and Liabilities

	Bank		Consolidated	
	2009	2008	2009	2008
Assets				
Swap Differentials Receivable [1]	4,249,449	2,894,817	4,237,434	5,050,014
Option Premiums	570,923	2,734,351	570,923	2,275,922
Forward Contracts and others	380,515	1,839,519	380,515	2,199,594
Total	**5,200,887**	**7,468,687**	**5,188,872**	**9,525,530**
Liabilities				
Swap Differentials Receivable [1]	3,086,412	3,694,781	3,086,013	7,236,926
Option Premiums	877,333	4,426,469	870,420	4,010,480
Forward Contracts and others	448,169	327,343	448,169	367,877
Total	**4,411,914**	**8,448,593**	**4,404,602**	**11,615,283**

[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 presented for trading and banking portfolios.

The table below summarizes the stress values generated by the Bank's corporate systems, related to the trading portfolio and banking, for each one of the portfolio scenarios as of December 31, 2009.

	Financial Consolidated (1) (2)		
			2009
	Scenario 1	Scenario 2	Scenario 3
Trading Portfolio			
Risk Factor			
Coupon - US dollar	4,727	36,066	169,130
Coupon - Other Currencies	(4,025)	(40,251)	(201,256)
Fixed Interest Rate - Reais	(3,640)	(36,401)	(182,006)
Shares and Indices	(565)	(1,411)	(2,823)
Inflation	465	4,654	23,272
Other	(2)	(23)	(114)
Total	**(3,040)**	**(37,366)**	**(193,797)**

[1]Amounts calculated based on the consolidated information of the financial institutions (financial group),
[2]Amounts net of taxes,

The following chart summarizes the sensitivity values generated by the Bank corporate systems referring to the banking portfolio, for each of the portfolio scenarios as of December 31, 2009.

	Financial Consolidated (1) (2) (3)		
			2009
	Scenario 1	Scenario 2	Scenario 3
Portfolio Banking			
Risk Factor			
Coupon - US dollar	(1,935)	(19,352)	(96,761)
TR and TJLP	(7,746)	(77,459)	(387,295)
Fixed Interest Rate - Reais	(8,904)	(89,039)	(445,197)
Inflation	(3,457)	(34,572)	(172,862)
Total	**(22,042)**	**(220,422)**	**(1,102,115)**

[1]Amounts calculated based on the consolidated information of the financial institutions (financial group),
[2]Capital market value was calculated with 1,5 year maturity,
[3]Amounts net of taxes,

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 impacts.

Scenario 1: usually reported in 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 (depreciation of the Real and fall of the Bovespa index), 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 (depreciation of the Real and fall of the Bovespa index), 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 (depreciation of the Real and fall of the Bovespa index), 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.

TR and Long-term interest rate (TJLP): all products with price changes tied to changes in the TR and TJLP.

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 Bacen 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	
	2009	**2008**	**2009**	**2008**
Lending operations	**105,512,207**	**49,942,593**	**117,025,170**	**116,147,234**
Loans and Discounted Receivables	65,760,686	27,621,039	65,805,177	68,860,313
Financing (1)	25,605,419	16,985,164	37,073,891	34,727,149
Rural, Agricultural and Industrial Financing	5,090,852	2,783,152	5,090,852	5,603,025
Real Estate Financing	9,054,257	2,546,525	9,054,257	6,950,034
Infrastructure and Development Financing	993	6,713	993	6,713
Leasing Operations	**642,789**	**852,479**	**13,924,460**	**12,707,059**
Advances on Foreign Exchange Contracts (2)	**2,139,148**	**2,112,808**	**2,139,148**	**3,314,908**
Other Receivables (3)	**7,370,074**	**2,985,653**	**8,929,892**	**7,241,172**
Total	**115,664,218**	**55,893,533**	**142,018,670**	**139,410,373**
Current	**56,841,237**	**32,462,612**	**68,014,290**	**80,186,506**
Long-term	**58,822,981**	**23,430,921**	**74,004,380**	**59,223,867**

b) Credit Portfolio by Maturity

	Bank		Consolidated	
	2009	**2008**	**2009**	**2008**
Overdue	7,081,439	3,143,875	7,598,156	6,160,485
Due to:				
Up to 3 Moths	22,132,768	18,370,985	26,495,198	40,614,738
From 3 to 12 Months	34,708,469	14,091,627	41,519,092	39,571,768
Over 12 Months	51,741,542	20,287,046	66,406,224	53,063,382
Total	**115,664,218**	**55,893,533**	**142,018,670**	**139,410,373**

(1) In 2009, the Bank acquired, through the Grand Cayman branch, export financing and credit agreements entered into with Brazilian customers of Banco Santander España totaling US$1,977 million, equivalent to R$ 3,442 million.
(2) Classified as a reduction of "Other payables".
(3) 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.

c) Lease Portfolio at Present Value

	Bank		Consolidated	
	2009	**2008**	**2009**	**2008**
Lease Receivables [1]	322,432	457,071	11,283,451	7,607,700
Unearned Income on Lease	(319,115)	(455,251)	(10,970,459)	(7,401,603)
Unrealized Residual Values [1] [2]	1,058,875	1,166,187	8,709,517	10,750,809
Offsetting Residual Values	(1,058,875)	(1,166,187)	(8,709,517)	(10,750,809)
Leased Property and Equipment	1,157,688	1,242,973	24,833,424	20,316,178
Accumulated Depreciation	(447,970)	(137,040)	(10,041,819)	(5,426,823)
Excess Depreciation	467,335	152,184	8,781,285	4,612,474
Losses on Unamortized Lease	-	-	154,887	129,012
Advances for Guaranteed Residual Value	(537,581)	(407,458)	(10,161,331)	(7,159,287)
Other Assets	-	-	45,022	29,408
Total	**642,789**	**852,479**	**13,924,460**	**12,707,059**

(1) Gross investment in lease transactions is R$ 1.381.307 in Bank and R$ 19.992.968 in Consolidated (2008 - R$ 1.623.258 in Bank and R$ 18.358.509 in Consolidated).
(2) Guaranteed residual value of lease agreements.

Leasing Unrealized Financial Income (Income to appropriate related to Minimum Payments to Receive) is R$ 738,518 in Bank and R$ 6,068,508 in Consolidated (2008 -R$ 770,779 in Bank and R$ 5,651,450 in Consolidated).

As of December 31, 2009, there were no individually material agreements for lease contracts.

Report per Lease Portfolio Maturity at Present Value

	Bank		Consolidated	
	2009	**2008**	**2009**	**2008**
Overdue	16,823	2,412	260,771	120,438
Due to:				
Up to 1 year	210,881	220,940	5,860,928	4,985,295
From 1 to 5 years	415,085	620,329	7,798,581	7,555,237
Over 5 years	-	8,798	4,180	46,089
Total	**642,789**	**852,479**	**13,924,460**	**12,707,059**

d) Credit Portfolio by Business Sector

	Bank		Consolidated	
	2009	2008	2009	2008
Private Sector	**115,419,034**	**55,700,692**	**141,775,172**	**139,065,835**
Industrial	26,805,187	16,389,987	27,501,654	32,980,048
Commercial	9,880,139	4,439,123	11,730,017	14,015,700
Financial Institutions	186,924	68,220	192,422	422,784
Services and Other	30,763,373	11,391,799	33,456,941	27,626,311
Individuals	42,694,574	20,628,411	63,805,301	58,417,967
Credit Cards	8,472,210	3,341,421	8,472,210	6,980,159
Mortgage Loans	5,225,798	2,096,891	5,225,798	4,467,550
Payroll Loans	7,955,539	2,727,497	7,955,539	7,207,253
Other[1]	21,041,027	12,462,602	42,151,754	39,763,005
Rural	5,088,837	2,783,152	5,088,837	5,603,025
Public sector	**245,184**	**192,841**	**243,498**	**344,538**
Federal	98,200	104,574	98,200	115,006
State	136,512	71,218	136,512	215,416
Municipal	10,472	17,049	8,786	14,116
Total	**115,664,218**	**55,893,533**	**142,018,670**	**139,410,373**

[1] Includes Lease/ Financing of vehicles and other consumer credit products.

e) Classification of Credit Portfolio by Risk Level and Respective Allowance for Loan Losses

Risk level	Minimum Allowance Required (%)	Credit Portfolio				Allowance Required	
				2009	2008		
		Current	Past due [1]	Total	Total	2009	2008
AA	-	42,628,717	-	42,628,717	33,102,843	-	-
A	0.5%	50,470,219	-	50,470,219	16,588,652	252,351	82,943
B	1%	4,194,587	1,382,669	5,577,256	1,079,549	55,773	10,795
C	3%	3,595,871	2,306,119	5,901,990	1,579,369	177,060	47,381
D	10%	823,352	1,301,850	2,125,202	709,055	212,520	70,906
E	30%	444,668	936,116	1,380,784	349,832	414,235	104,950
F	50%	98,901	1,454,827	1,553,728	450,013	776,864	225,006
G	70%	23,797	770,751	794,548	257,040	556,184	179,928
H	100%	206,231	5,025,543	5,231,774	1,777,180	5,231,774	1,777,180
Total		**102,486,343**	**13,177,875**	**115,664,218**	**55,893,533**	**7,676,761**	**2,499,089**
Additional Provision [2]						**616,994**	**137,395**
Total Provision						**8,293,755**	**2,636,484**

[1] Includes Lease/ Financing of vehicles and other consumer credit products.

Risk level	Minimum Allowance Required (%)	Credit Portfolio				Allowance Required	
				2009	2008		
		Current	Past due [1]	Total	Total	2009	2008
AA	-	43,829,226	-	43,829,226	48,849,728	-	-
A	0.5%	70,244,545	-	70,244,545	60,352,538	351,223	301,763
B	1%	4,845,336	2,452,661	7,297,997	12,230,663	72,980	122,307
C	3%	4,751,706	3,206,540	7,958,246	7,748,715	238,747	232,461
D	10%	836,228	1,617,177	2,453,405	2,184,687	245,341	218,469
E	30%	459,677	1,147,585	1,607,262	1,598,082	482,179	479,425
F	50%	200,385	1,624,692	1,825,077	1,286,011	912,539	643,006
G	70%	22,137	907,378	929,515	731,837	650,661	512,286
H	100%	212,557	5,660,840	5,873,397	4,428,112	5,873,397	4,428,112
Total		**125,401,797**	**16,616,873**	**142,018,670**	**139,410,373**	**8,827,067**	**6,937,829**
Additional Provision [2]						**635,503**	**156,403**
Total Provision						**9,462,570**	**7,094,232**

[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	
	2009	2008	2009	2008
Balance at beginning of year	**2,636,484**	**1,797,422**	**7,094,232**	**1,805,873**
Merger/Acquired Companies (Note 2)	3,741,033	-	-	3,974,010
Allowances Recognized	8,015,344	2,802,974	9,917,868	4,370,740
Write-offs	(6,099,106)	(1,964,091)	(7,549,530)	(3,056,570)
Other Changes	-	179	-	179
Balance at end of year (1)	**8,293,755**	**2,636,484**	**9,462,570**	**7,094,232**
Current	**1,464,805**	**222,717**	**1,971,200**	**1,427,401**
Long-term	**6,828,950**	**2,413,767**	**7,491,370**	**5,666,831**
Recoveries (2)	**445,697**	**195,539**	**643,841**	**413,480**

(1) Includes reserves for lease portfolio: R$ 43,620 in the Bank (2008 - R$ 9,460) and R$ 640,202 in Consolidated (2008 - R$ 384,548).
(2) Recorded as Financial Income under: Lending operations and Leasing operations, Includes results from the assignment of receivables without coobligation related to operations previously written-off as losses, amounting to R$ 42,283, in the Bank (2008 - R$ 48,894) and consolidated R$ 61,009 (2008 - R$ 65,126).

10. Foreign Exchange Portfolio

	Bank/Consolidated	Bank	Consolidated
	2009	2008	2008
Assets			
Rights to Foreign Exchange Sold	15,686,352	15,129,148	21,984,578
Exchange Purchased Pending Settlement	15,578,556	16,082,364	26,060,935
Advances in Local Currency	(177,183)	(456,511)	(626,222)
Income Receivable from Advances and Importing Financing	97,212	67,264	121,510
Others	**2,784**	**5,890**	**5,890**
Total	**31,187,721**	**30,828,155**	**47,546,691**
Current	**30,292,620**	**14,744,632**	**31,365,346**
Long-term	**895,101**	**16,083,523**	**16,181,345**
Liabilities			
Exchange Sold Pending Settlement	15,293,082	16,943,538	24,580,848
Foreign Exchange Purchased	16,342,221	13,822,928	21,671,391
Advances on Foreign Exchange Contracts	(2,139,148)	(2,112,808)	(3,314,908)
Others	20,569	1,233	12,159
Total	**29,516,724**	**28,654,891**	**42,949,490**
Current	**28,749,034**	**13,066,728**	**27,263,121**
Long-term	**767,690**	**15,588,163**	**15,686,369**
Memorandum accounts			
Open Import Credits	460,621	545,228	640,296
Confirmed Export Credits	10,334	16,504	19,448

11. Trading Account

			Consolidated	
	2009	**2008**	**2009**	**2008**
Assets				
Transactions Pending Settlement	18,902	1,243,150	32,386	1,396,140
Debtors Pending Settlement	4,524	5,182	299,358	571,640
Stock Exchanges - Guarantee Deposits	80,538	103,230	103,624	103,230
Other	83	83	83	83
Total	**104,047**	**1,351,645**	**435,451**	**2,071,093**
Current	**104,047**	**1,351,645**	**435,451**	**2,071,093**
Liabilities				
Transactions Pending Settlement	48,162	1,229,250	48,162	1,460,624
Creditors Pending Settlement	13,569	5,613	162,759	566,493
Creditors for Loan of Shares	56,777	40,585	56,777	40,585
Clearinghouse Transactions	-	-	150,509	16,857
Other	1,094	1,179	4,970	7,745
Total	**119,602**	**1,276,627**	**423,177**	**2,092,304**
Current	**119,602**	**1,276,502**	**422,713**	**2,092,179**
Long-term	**-**	**125**	**464**	**125**

12. Tax Credits

a) Nature and Origin of Recorded Tax Credits

	December 31, 2008	Merger (3)	Recogni-tion	Realization	December 31, 2009
Allowance for Loan Losses	1,082,645	2,352,378	3,209,233	(2,452,755)	4,191,501
Reserve for Civil Contingencies	93,782	303,320	275,325	(94,321)	578,106
Reserve for Tax Contingencies	503,001	415,213	546,981	(98,676)	1,366,519
Reserve for Labor Contingencies	466,961	385,621	694,232	(398,347)	1,148,467
Amortized Goodwill	228,343	331,587	238,221	(536,873)	261,278
Reserve for Maintenance of Stockholders' Equity Integrity	34,902	-	-	(34,664)	238
Adjustment to Fair Value of Trading Securities and Derivatives (1)	1,522,343	706,149	-	(521,618)	1,706,874
Accrual for Pension Plan	68,293	48,642	79,481	-	196,416
Adjustment to Fair Value of Available-for-sale Securities (1)	76,281	221,874	-	(96,463)	201,692
Other Temporary Provisions	819,916	512,841	874,782	(190,706)	2,016,833
Total Tax Credits on Temporary Differences	**4,896,467**	**5,277,625**	**5,918,255**	**(4,424,423)**	**11,667,924**
Tax Loss Carryforwards	517,696	12,361	-	(300,108)	229,949
Social Contribution Tax - Executive Act No, 2158/2001	810,209	92,916	-	(2,395)	900,730
Total Tax Credits	**6,224,372**	**5,382,902**	**5,918,255**	**(4,726,926)**	**12,798,603**
Unrecorded Tax Credits(2)	(762,320)	(673,918)	(147,172)	-	(1,583,410)
Subtotal - Recorded Tax Credits	**5,462,052**	**4,708,984**	**5,771,083**	**(4,726,926)**	**11,215,193**
Current	**2,295,074**				**5,084,675**
Long-term	**3,166,978**				**6,130,518**

	December 31, 2008	Merger [3]	Recognition	Realization	December 31, 2009
Allowance for Loan Losses	701,116	673,720	3,209,233	(292,191)	1,082,645
Reserve for Civil Contingencies	66,726	54,951	275,325	(27,895)	93,782
Reserve for Tax Contingencies	515,383	316,255	546,981	(328,637)	503,001
Reserve for Labor Contingencies	340,429	242,987	694,232	(116,455)	466,961
Amortized Goodwill	-	228,343	238,221	-	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	1,118,881	-	-	1,522,343
Accrual for Pension Plan	62,168	21,057	79,481	(14,932)	68,293
Adjustment to Fair Value of Available-for-sale Securities [1]	42,430	33,851	-	-	76,281
Other Temporary Provisions	639,713	640,254	874,782	(460,051)	819,916
Total Tax Credits on Temporary Differences	**3,138,476**	**3,395,072**	**5,918,255**	**(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[4]	686,372	133,597	-	(9,760)	810,209
Total Tax Credits	**4,266,208**	**3,611,065**	**5,918,255**	**(1,652,901)**	**6,224,372**
Unrecorded Tax Credits [2]	(635,190)	(511,319)	(147,172)	384,189	(762,320)
Subtotal - Recorded Tax Credits	**3,631,018**	**3,099,746**	**5,771,083**	**(1,268,712)**	**5,462,052**
Current	**1,045,318**				**2,295,074**
Long-term	**2,585,700**				**3,166,978**

Consolidated	December 31, 2008	Acquisition/ Disposal [3]	Recognition	Realization	December 31, 2009
Allowance for Loan Losses	4,030,191	4,125	4,177,700	(3,296,503)	4,915,513
Reserve for Civil Contingencies	409,504	6,456	308,762	(108,520)	616,202
Reserve for Tax Contingencies	1,094,630	(6,092)	777,702	(214,186)	1,652,054
Reserve for Labor Contingencies	869,388	4,112	735,958	(427,927)	1,181,531
Amortized Goodwill	561,916	12,967	250,604	(548,849)	276,638
Reserve for Maintenance of Stockholders' Equity Integrity	34,902	-	-	(34,664)	238
Adjustment to Fair Value of Trading Securities and Derivatives [1]	2,462,325	27	1,280	(754,432)	1,709,200
Accrual for Pension Plan	100,409	-	96,007	-	196,416
Adjustment to Fair Value of Available-for-sale Securities [1]	212,888	(2,503)	121,901	(127,432)	204,854
Other Temporary Provisions	1,432,792	9,614	990,050	(308,217)	2,124,239
Total Tax Credits on Temporary Differences	**11,208,945**	**28,706**	**7,459,964**	**(5,820,730)**	**12,876,885**
Tax Loss Carryforwards	1,470,192	(337)	620,829	(320,629)	1,770,055
Social Contribution Tax - Executive Act No, 2158/2001	917,581	-	46	(2,751)	914,876
Total Tax Credits	**13,596,718**	**28,369**	**8,080,839**	**(6,144,110)**	**15,561,816**
Unrecorded Tax Credits[2]	(1,601,626)	(4,296)	(176,363)	39,272	(1,743,013)
Subtotal - Recorded Tax Credits	**11,995,092**	**24,073**	**7,904,476**	**(6,104,838)**	**13,818,803**
Current	**4,700,703**				**5,597,886**
Long-term	**7,294,389**				**8,220,917**

					Consolidated
	December 31, 2007	Acquisition/ Disposal [(3)]	Recogni-tion	Realization	December 31, 2008
Allowance for Loan Losses	713,226	2,541,028	1,138,468	(362,531)	4,030,191
Reserve for Civil Contingencies	70,163	315,006	74,927	(50,592)	409,504
Reserve for Tax Contingencies	588,831	485,792	397,922	(377,915)	1,094,630
Reserve for Labor Contingencies	353,172	333,326	321,203	(138,313)	869,388
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)]	403,937	688,893	1,369,507	(12)	2,462,325
Accrual for Pension Plan	62,168	59,465	21,725	(42,949)	100,409
Adjustment to Fair Value of Available-for-sale Securities [(1)]	42,433	134,137	105,250	(68,932)	212,888
Other Temporary Provisions	665,978	625,035	783,121	(641,342)	1,432,792
Total Tax Credits on Temporary Differences	**3,266,957**	**5,534,281**	**4,505,239**	**(2,097,532)**	**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	701,580	95,072	133,597	(12,668)	917,581
Total Tax Credits	**4,415,215**	**6,278,657**	**5,029,591**	**(2,126,745)**	**13,596,718**
Unrecorded Tax Credits[(2)]	(658,814)	(707,187)	(648,386)	412,761	(1,601,626)
Subtotal - Recorded Tax Credits	**3,756,401**	**5,571,470**	**4,381,205**	**(1,713,984)**	**11,995,092**
Current	**1,064,481**				**4,700,703**
Long-term	**2,691,920**				**7,294,389**

[(1)] Includes Tax Credits IRPJ, CSLL, Pis and Cofins.
[(2)] 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).
[(3)] Merger/Acquisition/Disposal of companies (Note 16).
[(4)] Includes the amount of R$ 133,597 related to transfer from Other payables – tax and social security (Note 23,c).

b) Expected Realization of Recorded Tax Credits

	2009						
	Temporary Differences			Tax Loss Carryforwards			Total
Year	IRPJ	CSLL	PIS/Cofins)		CSLL 18%	Total	Recorded
2010	3,411,660	1,842,295	93,094	46,906	49,642	5,443,597	5,084,675
2011	1,866,972	1,097,743	93,094	183,043	210,969	3,451,821	3,237,979
2012	1,371,149	800,972	4,201	-	169,339	2,345,661	1,778,256
2013	286,413	161,757	4,201	-	265,538	717,909	567,941
2014	279,328	157,019	4,201	-	205,242	645,790	447,200
2015 to 2017	82,052	31,118	-	-	-	113,170	76,767
2018 to 2019	32,900	16,079	-	-	-	48,979	22,375
2020 to 2022	8,639	-	-	-	-	8,639	-
2023 to 2024	5,759	-	-	-	-	5,759	-
After 2024	17,278	-	-			17,278	-
Total	**7,362,150**	**4,106,983**	**198,791**	**229,949**	**900,730**	**12,798,603**	**11,215,193**

Consolidated

	2009						
	Temporary Differences			Tax Loss Carryforwards			Total
Year	IRPJ	CSLL	PIS/Cofins)		CSLL 18%	Total	Recorded
2010	3,682,116	2,000,475	93,283	127,047	63,788	5,966,709	5,597,886
2011	2,039,359	1,206,617	93,283	258,375	210,969	3,808,603	3,582,105
2012	1,537,466	908,128	4,267	287,553	169,339	2,906,753	2,285,655
2013	330,658	186,939	4,267	399,203	265,538	1,186,605	1,034,560
2014	294,129	165,355	4,267	345,568	205,242	1,014,561	813,866
2015 to 2017	180,228	53,901	-	352,309	-	586,438	472,658
2018 to 2019	39,467	19,958	-	-	-	59,425	32,073
2020 to 2022	9,293	392	-	-	-	9,685	-
2023 to 2024	5,759	-	-	-	-	5,759	-
After 2024	17,278	-	-	-	-	17,278	-
Total	**8,135,753**	**4,541,765**	**199,367**	**1,770,055**	**914,876**	**15,561,816**	**13,818,803**

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$ 11,457,243 (2008 -R$ 5,333,237) in the Bank and R$ 13,700,875 (2008 -R$ 11,478,803) in the Consolidated and the present value of recorded tax credits is R$ 10,134,642 (2008 -R$ 4,749,607) in the Bank and R$ 12,259,099 (2008 -R$ 10,223,508) in the 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	
	2009	2008	2009	2008
Credit Cards	6,186,853	2,128,134	6,186,853	5,017,288
Escrow Deposits for:				
Tax Claims	2,734,203	1,408,013	3,423,771	3,423,713
Labor Claims	2,036,332	1,126,128	2,091,802	1,914,743
Other	522,529	351,421	609,739	615,779
Contract Guarantees - Former Controlling Stockholders (Note 23,h)	522,267	654,538	525,099	654,538
Recoverable Taxes	1,712,547	275,630	2,298,656	824,148
Receivables	711,695	384,007	2,263,040	1,632,109
Receivables from Export Contracts	35,127	132,027	35,127	132,027
Reimbursable Payments	258,807	427,246	280,863	628,374
Rural Product Notes	152,514	208,049	152,514	222,767
Salary Advances/Other	790,113	399,098	793,528	953,694
Debtors for Purchase of Assets	167,769	54,865	176,242	101,341
Receivable from Affiliates	393,385	130,597	102	129,717
Credit from Insurance Operations	-	-	282,617	-
Other	611,442	351,943	664,205	1,547,291
Total	**16,835,583**	**8,031,696**	**19,784,158**	**17,797,529**
Current	**8,823,559**	**3,373,721**	**10,589,517**	**8,986,484**
Long-term	**8,012,024**	**4,657,975**	**9,194,641**	**8,811,045**

14. Other Assets:

	Bank		Consolidated	
	2009	2008	2009	2008
Assets Not in Use (1)	205,942	180,192	208,303	277,698
Materials in Inventory	10,974	8,956	11,357	13,025
Total	**216,916**	**189,148**	**219,660**	**290,723**
(Allowance for Valuation)	(122,614)	(148,192)	(124,776)	(178,178)
Total	**94,302**	**40,956**	**94,884**	**112,545**
Current	**94,302**	**40,956**	**94,884**	**112,545**

(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, converted at the exchange rate prevailing at the balance sheet date and included in the financial statements can be summarized as follows:

	2009[2]	2008[3]
Assets	26,805,570	34,484,879
Current and Long-term Assets	**26,737,797**	**34,444,385**
Cash	743,558	186,807
Interbank Investments	1,523,308	6,162,475
Securities and Derivatives	7,767,330	13,374,765
Lending Operations	10,844,258	5,448,834
Foreign Exchange Portfolio	5,438,632	8,586,414
Other Assets	420,711	685,090
Permanent Assets	**67,773**	**40,494**
Liabilities	**26,805,570**	**34,484,879**
Current and Long-term Liabilities	**21,602,709**	**28,459,476**
Money Market Funding	3,040,244	3,461,603
Funds from Acceptance and Issuance of Securities	1,116,799	1,878,097
Borrowings and Onlendings	8,090,187	8,697,785
Subordinated Debt	872,704	1,171,324
Foreign Exchange Portfolio	5,572,639	9,115,199
Other Payables[1]	2,910,136	4,135,468
Deferred Income	**27,107**	**3,030**
Stockholders' Equity	**5,175,754**	**6,022,373**
Net Income	**658,047**	**197,858**

[1] At Santander Grand Cayman Branch include Sale of right to receipt of future flow of payment orders from abroad (Note 22).
[2] Grand Cayman Branch. Includes net profit for the period from $ 11,946 the agency in Tokyo, terminated in December 2009. On April 30, 2009, the activities of the Agency in Grand Cayman Bnaco Real were transferred to the agency of Santander.
[3] Includes Foreign Branches in Tokyo Grand Cayman, of Banco Real and of BCIS, with total assets of U.S. $ 7,403,820, stockholders' equity of R $ 5,024,951 and net profit for the period from $ 152,287.

16. Investments in Affiliates and Subsidiaries

Investments - Direct and indirect Ownership	Activity	Number of Shares (in Thousands) Common Shares and quotas	Preferred	Participation % Bank	Consolidated
					2009
Controlled by Banco Santander					
Santander Seguros [1] [11]	Insurance and Pension Plan	5,625,785	5,625,403	100.00%	100.00%
Santander CCT	Broker	22,773,797	14,426,878	99.99%	100.00%
Santander Brasil Asset [11] [23]	Manager	12,493,834	-	99.99%	100.00%
Santander Administradora de Consórcios Ltda, (Santander Consórcios)	Buying Club	3,000	-	100.00%	100.00%
Banco Bandepe S,A, (Banco Bandepe) [2] [8]	Bank	2,183,667,026	-	100.00%	100.00%
Santander Leasing [2] [14]	Leasing	11,043,796	-	78.57%	99.99%
Aymoré Crédito, Financiamento e Investimento S,A, (Aymoré CFI) [2]	Financial	287,706,670	-	100.00%	100.00%
Santander Brasil Administradora de Consórcio Ltda, (SB Consórcio) [2] [12]	Buying Club	4,810	-	100.00%	100.00%
Real Microcrédito Assessoria Financeira S,A, Microcrédito) [2]	Microcredit	43,129,918	-	100.00%	100.00%
Advisory [2] [5]	Other Activities	446	-	100.00%	100.00%
Companhia Real de Valores - Distribuidora de Títulos e Valores Mobiliários (Cia Real DTVM) [2]	Dealer	67	-	100.00%	100.00%
Companhia de Arrendamento Mercantil RCI Brasil (RCI Leasing) [6] [13]	Leasing	63	31	39.88%	39.88%
Companhia de Crédito, Financiamento e Investimento RCI Brasil (RCI Brasil) [7] [13]	Financial	1	1	39.64%	39.64%
Santander CCVM [13] [22]	Broker	1,400,000	1,400,000	100.00%	100.00%
Agropecuária Tapirapé S,A, [13]	Other Activities	199,729	379,265	99.07%	99.07%
Real CHP S,A, [13]	Holding	506	-	92.78%	92.78%
Real Argentina S,A, [2]	Other Activities	445	-	98.99%	98.99%
Webmotors S,A, [2]	Other Activities	348,253,362	17,929,313	100.00%	100.00%
Controlled by Santander Seguros [1] [11]					
Santander Brasil Seguros S,A, (SB Seguros)	Insurance	70,284	-	0.00%	100.00%
Santander Capitalização S,A, (Santander Capitalização)	Capitalization	64,615	-	0.00%	100.00%
Controlled by Advisory					
Santander S.A. Serviços Técnicos, Administrativos e de Corretagem de Seguros (Santander Serviços) [10] [13]	Insurance Broker	50,425,267	-	0.00%	100.00%
Real Corretora de Seguros S.A. (Real Corretora) [2] [15]	Insurance Broker	9	-	0.00%	100.00%

Investments - Direct and indirect Ownership	Activity	Number of Shares (in Thousands) Common Shares and quotas	Preferred	Participation % Bank	Consolidated
					2009
Controladas em Conjunto					
Santander Securities (Brasil) Corretora de Valores Mobiliários S.A. (Santander Securities) [19]	Broker	344,283	77,225	0.00%	100.00%
Jointly Controlled Companies					
Celta Holding S,A,[2]	Holding	260	-	26.00%	26.00%
Araguari Real Estate Holding LLC	Holding	43,164	-	50.00%	50.00%
Cibrasec Companhia Brasileira de Securitização (Cibrasec) [2]	Securitization	9	-	13.64%	13.64%
Norchem Participações e Consultoria S,A, (Norchem Participações) [13]	Other Activities	950	-	50.00%	50.00%
Estruturadora Brasileira de Projetos S,A, - EBP (EBP)	Other Activities	1,599	-	11.11%	11.11%
Affiliate					
Norchem Holding e Negócios S,A, (Norchem Holding) [13]	Other Activities	1,679	-	21.75%	21.75%

	Adjusted Shareholders' Equity	Adjusted Net Income (Loss)	Investments Value		Results on Investments in Affiliates and Subsidiaries	
	2009	2009	2009	2008	2009	2008
Controlled by Banco Santander						
Santander Seguros (1) (11)	**2,360,554**	**173,697**	**2,360,554**	**-**	**141,800**	**-**
Banco Real (3)	-	258,028	-	11,857,754	258,061	647,207
AAB Dois Par (1)	-	130,038	-	338,715	126,442	50,723
Santander Brasil Arrendamento Mercantil S,A, (SB Leasing) (16)	-	20,482	-	525,885	20,482	45,784
Santander CCT	246,393	66,519	246,393	193,731	54,045	41,200
SB CTVM (16)	-	(75)	-	1,016	(70)	8,588
Santander Brasil Asset (11) (23)	237,661	27,120	237,661	-	24,352	-
Santander Asset (16)	-	30,077	-	103,865	30,077	40,188
Santander Participações (24)	-	355,444	-	944,674	258,895	159,207
Santander Consórcios	3,809	172	3,809	3,637	172	166
AA Cartões (13)	-	13,534	-	953,225	12,603	18,687
Banco Bandepe (2) (8)	4,015,044	349,539	4,015,044	-	289,703	-
ABN Leasing (2) (16)	-	23,268	-	-	31,562	-
Santander Leasing (2) (14)	11,720,578	1,056,756	9,209,331	-	651,764	-
Aymoré CFI (2)	685,460	62,518	685,460	-	120,961	-
SB Consórcio (2) (12)	92,925	38,470	92,925	-	29,291	-
Microcrédito (2)	9,616	3,053	9,616	-	2,187	-
Advisory (2) (5)	131,902	13,867	131,902	-	13,798	-
Cia Real DTVM (2)	82,625	6,596	82,625	-	8,009	-
RCI Leasing (6) (13)	474,115	32,929	189,088	-	6,584	-
RCI Brasil (7) (13)	255,565	54,681	101,303	-	6,134	-
Santander CCVM (13) (22)	40,200	1,762	40,200	-	(18)	-
Agropecuária Tapirapé S,A, (13)	6,797	355	6,734	-	172	85
Real CHP S,A, (13)	4,112	3,614	3,815	-	1,549	-
Real Argentina S,A, (2)	53	(123)	52	-	(112)	-
REB Empreendimentos e Administradora de Bens S,A, (REB) (2) (20)	-	23,538	-	-	784	-
Webmotors S,A, (2)	40,762	11,743	40,762	-	7,436	-
BCIS (2) (13)	-	95,156	-	-	697	-
Real Corretora (2) (15)	-	-	-	-	12,383	-
Sudameris DTVM (3)	-	-	-	-	2	-
Santander Serviços (10) (13)	-	-	-	-	-	5,071
Produban Serviços de Informatica S,A, (Produban Informática)(9)	-	-	-	-	-	(449)
Controlled by Santander Seguros (1)(11)						
SB Seguros	144,634	8,053	-	-	-	-
Santander Capitalização	386,870	74,014	-	-	-	-
Controlled by Advisory						
Santander Serviços (10) (13)	63,762	11,162	-	-	-	-
Real Corretora (2) (15)	63,792	47,162	-	-	-	-

	Adjusted Shareholders' Equity	Adjusted Net Income (Loss)	Investments Value		Results on Investments in Affiliates and Subsidiaries	
	2009	2009	2009	2008	2009	2008
Controlled by Cia Real DTVM						
Santander Securities [19]	67,784	5,030	-	-	-	-
Jointly Controlled Companies						
Companhia Brasileira de Meios de Pagamentos - Visanet (Visanet) [4]	-	698,013	-	-	34,625	-
Celta Holding S,A,[2]	252,355	16,407	65,612	-	(3,224)	-
Araguari Real Estate Holding LLC	191,412	-	95,706	115,480	-	-
TecBan - Tecnologia Bancária S,A, (TecBan)[17]	-	1,194	-	14,690	445	10,957
Companhia Brasileira de Soluções e Serviços - CBSS (CBSS) [17]	-	32,133	-	-	5,843	-
Cibrasec [2]	74,396	6,407	10,144	3,311	(69)	311
Norchem Participações [13]	57,835	2,593	28,918	-	1,573	826
EBP	16,054	4,071	1,784	-	(202)	-
RSVP [1] [21]	-	-	-	-	8,766	-
Diamond Finance Promotora de Vendas [18]	-	-	-	-	31	-
Affiliate						
Norchem Holding [13]	110,604	13,198	24,056	-	2,742	420
Total Investment - Bank			**17,683,494**	**15,055,983**	**2,160,275**	**1,028,971**
Affiliate						
Norchem Holding [13]	-	-	24,057	21,186	2,873	1,899
AAB Dois Par [1]	-	-	-	-	126,442	-
RSVP [1] [21]	-	-	-	-	8,766	-
Visanet [4]	-	-	-	-	30,507	-
Other	-	-	-	-	-	3,741
Total Investment - Consolidated					**168,588**	**5,640**

[1] The Extraordinary Stockholder's Meeting held on September, 2009 of Santander Seguros, RSVP current name of RTMVP, and AAB Dois Par approved the corporate restructuring proposal pursuant to the terms and conditions of the "Agreement and Plan of Merger of ABN AMRO Brasil Dois Participações S.A. and Real Seguros Vida e Previdência S.A. (current denomination of Real Tokio Marine Vida e Previdência S.A., subject to approval of SUSEP) by Santander Seguros S.A.", dated of June 29, 2009, and the "Supplement of the Agreement and Plan of Merger of ABN AMRO Brasil Dois Participações S.A. and Real Seguros Vida e Previdência S.A. (current denomination of Real Tokio Marine Vida e Previdência S.A., subject to approval of SUSEP) by Santander Seguros S.A." dated of August 31, 2009. The merger was carried out through the transfer of the book net assets of the Acquired Companies to the equity of the Acquirer, based on the audited balance sheets as of June 30, 2009. Changes in equity occurring between the date of said balance sheets and the completion of the merger were recognized and accounted for directly by the acquirer. The merger is subject to SUSEP's approval.
[2] Investment merged into Banco Santander in April 2009 (Note 2).
[3] Merged into Banco Santander in April 2009 (Note 2).
[4] Company consolidated up to May 2009.
[5] On January 16, 2009, the change in the name of ABN AMRO Advisory Services S.A. to Santander Advisory Services S.A. was approved.
[6] On July 7, 2009, the change in the name of Companhia de Arrendamento Mercantil Renault do Brasil to Companhia de Arrendamento Mercantil RCI Brasil was approved.
[7] On July 7, 2009, the change in the name of Companhia de Crédito, Financiamento e Investimento Renault do Brasil to Companhia de Crédito, Financiamento e Investimento RCI Brasil was approved.
[8] On July 13, 2009, the change in the name of Banco de Pernambuco S.A - BANDEPE to Banco Bandepe S.A. was approved.
[9] On February 29, 2008, Banco Santander S.A. sold its interest in the Company to Produban Servicios Informáticos Generales, S.L., company headquartered in Spain.
[10] Up to March 2008, a subsidiary/ associate of the Bank.
[11] Investments merged into Banco Santander in August 2009. Adjusted net income corresponds to the income for the period as of July 31, 2009 after the share merger process is approved in a shareholders' meeting (Note 2).
[12] On May 21, 2009, the change in the name from ABN AMRO Real Administradora de Consórcios Ltda. To Santander Brasil Administradora de Consórcios Ltda. was approved.
[13] Companies acquired through the corporate restructuring (Note 2).
[14] On June 15, 2009, the change in the name from Real Leasing S.A Arrendamento Mercantil to Santander Leasing S.A Arrendamento Mercantil was approved.
[15] The executive board's meeting held on July 24, 2009, considering the corporate restructuring involving the companies comprising the Santander Group, approved a capital increase of R$628 to R$48,127 with the issuance of 179,226 new shares, subscribed and paid-up by the shareholder Banco Santander, through the assignment of 9,380 common shares issued and held by Real Corretora, which were transferred to the Company's equity, so that Advisory becomes a shareholder of Real Corretora.
[16] Company acquired (note 2).
[17] Companies sold in August 2009.
[18] Company sold in May 2009.
[19] On September, 30, 2009, the change in the name of ABN AMRO Securities (Brasil) Corretora de Valores Mobiliários S.A. toa Santander Securities (Brasil) Corretora de Valores Mobiliários S.A was approved.
[20] Company sold in December 2009.
[21] As provided for in the Shareholders' Agreement of RTMVP, due to the change in shareholding control from Banco Real to Banco Santander, AAB Dois Par exercised its right to buy the remaining interest in RTMVP, right which was transferred to Banco Santander on January 21, 2009.
[22] On September, 30, 2009, the change in the name of ABN AMRO Real Corretora de Câmbio e Valores Mobiliários S.A. to Santander Corretora de Câmbio e Valores Mobiliários S.A was approved.
[23] On January 16, 2009, the change in the name of ABN AMRO Asset Management Distribuidora de Títulos e Valores Mobiliários S.A. to Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A was approved.
[24] Company totally spun-off according to the reestructuring (Note 2).

17. Property and Equipment

			2009	2008
	Cost	Depreciation	Net	Net
Real estate	**1,471,945**	**(338,666)**	**1,133,279**	**160,966**
Buildings [1]	860,429	(338,666)	521,763	57,272
Land [1]	611,516	-	611,516	103,694
Other	**5,068,666**	**(2,595,971)**	**2,472,695**	**2,363,355**
Installations, Furniture and Equipment	1,090,387	(433,184)	657,203	387,180
Security and Communication Equipment	315,534	(180,759)	134,775	83,418
Data Processing Equipment	**1,677,281**	**(1,192,683)**	**484,598**	**318,512**
Leasehold Improvements	940,702	(604,871)	335,831	272,001
Other [2]	1,044,762	(184,474)	860,288	1,302,244
Total	**6,540,611**	**(2,934,637)**	**3,605,974**	**2,524,321**

			2009	Consolidated 2008
	Cost	Depreciation	Net	Net
Real estate	**1,476,189**	**(340,861)**	**1,135,328**	**418,251**
Buildings [1]	862,117	(340,861)	521,256	201,111
Land [1]	614,072	-	614,072	217,140
Other	**5,149,208**	**(2,626,880)**	**2,522,328**	**3,232,083**
Installations, Furniture and Equipment	1,106,793	(440,420)	666,373	656,277
Security and Communication Equipment	320,283	(184,389)	135,894	142,504
Data Processing Equipment	**1,683,958**	**(1,198,063)**	**485,895**	**507,680**
Leasehold Improvements	956,938	(617,157)	339,781	460,329
Other [2]	1,081,236	(186,851)	894,385	1,465,293
Total	**6,625,397**	**(2,967,741)**	**3,657,656**	**3,650,334**

[1] In November 2009, the Bank started a gradual change for the Santander Tower, the new headquarters in Brazil, and as a result in December 2009, the related amounts recorded as construction in progress were transferred to Property in use - land and buildings.
[2] Includes R$1,060,503 of buildings in progress related to the new head office.

18. Intangibles

			2009	2008
	Cost	Depreciation	Net	Net
Goodwill on Acquired Companies	**26,619,000**	**(3,970,750)**	**22,648,250**	**25,763,074**
Intangible Assets	**4,383,216**	**(1,958,973)**	**2,424,243**	**1,926,203**
Exclusivity Contracts for Provision of Banking Services	2,475,852	(1,329,242)	1,146,610	1,415,416
Acquisition and Development of Software	1,906,457	(629,521)	1,276,936	510,525
Other	907	(210)	697	262
Total	**31,002,216**	**(5,929,723)**	**25,072,493**	**27,689,277**

				Consolidated
			2009	2008
	Cost	Amortization	Net	Net
Goodwill on Acquired Companies	**27,739,919**	**(4,087,847)**	**23,652,072**	**25,765,501**
Intangible Assets	**4,498,341**	**(1,994,577)**	**2,503,764**	**2,684,407**
Exclusivity Contracts for Provision of Banking Services	2,475,852	(1,329,242)	1,146,610	1,822,251
Acquisition and Development of Software	1,961,025	(665,048)	1,295,977	744,090
Other	61,464	(287)	61,177	118,066
Total	**32,238,260**	**(6,082,424)**	**26,155,836**	**28,449,908**

Recorded goodwill is subject to impairment testing at least once a year or more frequently when there is indication that an asset is impaired.

Accordingly, management estimates the cash flows, which are subject to a number of factors, such as: (i) macroeconomic projections of interest, inflation, foreign exchange, and other rates; (ii) behavior of the growth estimates for the Brazilian financial system; (iii) cost increases, returns, synergies, and investment plans; and (iv) customer behavior; (v) the growth rate and the adjustments are applied to cash flows on a continuous basis. The adoption of these estimates involves the possibility that future events cause actual results to be different from the projections.

Based on the assumptions above, it did not identify any impairment of goodwill.

19. Money Market Funding and Borrowings and Onlendings

a) Deposits

						Bank
					2009	2008
	Without maturity	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Demand Deposits	14,968,013	-	-	-	14,968,013	5,022,049
Savings Deposits	25,216,924	-	-	-	25,216,924	8,314,895
Interbank Deposits	-	1,686,659	6,590,940	25,824,884	34,102,483	4,268,278
Time Deposits	426,683	11,519,028	21,456,256	38,684,387	72,086,354	40,455,567
Other Deposits	550,565	-	-	-	550,565	378,308
Total	**41,162,185**	**13,205,687**	**28,047,196**	**64,509,271**	**146,924,339**	**58,439,097**
Current					**82,415,068**	**39,326,071**
Long-term					**64,509,271**	**19,113,026**

						Consolidated
					2009	2008
	Without maturity	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Demand Deposits	14,787,247	-	-	-	14,787,247	14,729,644
Savings Deposits	25,216,924	-	-	-	25,216,924	20,642,679
Interbank Deposits	-	255,446	506,587	2,232	764,265	1,904,316
Time Deposits	426,683	11,519,028	21,455,463	38,752,890	72,154,064	86,230,877
Other Deposits	550,565	-	-	-	550,565	479,787
Total	**40,981,419**	**11,774,474**	**21,962,050**	**38,755,122**	**113,473,065**	**123,987,303**
Current					**74,717,943**	**72,138,582**
Long-term					**38,755,122**	**51,848,721**

b) Money Market Funding

					Bank
				2009	2008
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Own Portfolio	5,266,135	9,707,553	5,552,576	20,526,264	4,136,943
Third Parties	9,633,621	-	-	9,633,621	13,084,478
Linked to Trading Portfolio Operations	944,483	3,817,103	-	4,761,586	1,135,005
Total	**15,844,239**	**13,524,656**	**5,552,576**	**34,921,471**	**18,356,426**
Current				**29,368,895**	**16,290,597**
Long-term				**5,552,576**	**2,065,829**

					Consolidated
				2009	2008
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Own Portfolio	5,266,135	9,680,392	5,380,872	20,327,399	18,173,332
Third Parties	9,523,072	-	-	9,523,072	11,666,815
Linked to Trading Portfolio Operations	944,483	3,817,103	-	4,761,586	1,092,157
Total	**15,733,690**	**13,497,495**	**5,380,872**	**34,612,057**	**30,932,304**
Current				**29,231,185**	**23,284,879**
Long-term				**5,380,872**	**7,647,425**

c) Funds from Acceptance and Issuance of Securities

					Bank
				2009	2008
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Real Estate Credit Notes, Mortgage Notes, Credit and Similar Notes Agribusiness Credit Notes - LCA	**2,393,302**	**4,621,523**	**201,820**	**7,216,645**	**3,649,799**
Real Estate Credit Notes - LCI	760,706	464,499	6,054	1,231,259	1,441,289
Securities Issued Abroad	1,632,596	4,157,024	195,766	5,985,386	2,208,510
Total	**900,672**	**327,511**	**1,362,979**	**2,591,162**	**1,567,711**
Current	**3,293,974**	**4,949,034**	**1,564,799**	**9,807,807**	**5,217,510**
Long-term				**8,243,008**	**4,359,926**
Longo Prazo				**1,564,799**	**857,584**

					Consolidated
				2009	2008
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Exchange Acceptances	**849**	**101,072**	**367,803**	**469,724**	**148,448**
Real Estate Credit Notes, Mortgage Notes, Credit and Similar Notes Agribusiness Credit Notes - LCA	**2,393,302**	**4,673,544**	**609,493**	**7,676,339**	**6,885,384**
Real Estate Credit Notes - LCI	760,706	464,499	6,054	1,231,259	2,016,367
Securities Issued Abroad	1,632,596	4,209,045	603,439	6,445,080	4,869,017
Total	**900,672**	**327,511**	**1,362,979**	**2,591,162**	**3,524,883**
Current	**3,294,823**	**5,102,127**	**2,340,275**	**10,737,225**	**10,558,715**
Long-term				**8,396,950**	**7,878,175**
Longo Prazo				**2,340,275**	**2,680,540**

Securities Issued Abroad	Issuance	Maturity	Currency	Interestrate (p.a)	Bank/Consolidated 2009 Total	2008 Total
Eurobonds [1]	February-05	February-10	R$	16.2%	803,154	842,802
Eurobonds	November-05	November-13	R$	17.1%	471,849	340,256
Fixed Rate Notes [1]	October-07	January-15	R$	100.0% CDI	186,741	190,643
Notas Estruturadas [4]	April-09	April-10	R$	102.5% CDI	179,494	160,266
Eurobonds	March-05	March-13	R$	17.0%	169,299	169,223
Fixed Rate Notes [1]	November-07	January-15	R$	100.0% CDI	167,380	184,606
Fixed Rate Notes [1]	September-06	June-13	R$	100.0% CDI + 0.4%	120,208	122,715
Fixed Rate Notes [1]	August-07	June-12	US$	4.4%	49,804	93,664
Fixed Rate Notes [1]	August-99	August-14	US$	7.5%	44,184	70,954
Fixed Rate Notes [1]	August-07	August-12	US$	4.6%	29,609	39,904
Fixed Rate Notes [1]	April-08	March-13	US$	4.6%	27,405	28,271
Fixed Rate Notes	February-08	January-15	US$	2.9%	26,215	19,948
Eurobonds [3]	June-07	May-17	R$	FDIC	25,676	28,818
Fixed Rate Notes [1]	April-06	March-11	US$	4.4%	18,963	42,730
Eurobonds	July-08	July-10	R$	94.4% CDI	18,233	16,679
Eurobonds [2]	May-06	August-10	R$	IPCA + 6.0%	16,209	60,555
Eurobonds [2]	March-07	January-14	R$	10.0%	15,277	26,105
Eurobonds [2]	November-05 to January-06	May-09	R$	IPCA + 6.0%	-	363,801
Fixed Rate Notes [1]	October-06	June-13	R$	100.0% CDI + 0.3%	-	72,435
Other					221,462	650,508
Total					**2,591,162**	**3,524,883**

[1] In 2008, makes reference the emissions of consolidated.
[2] Indexed to Sovereign Notes.
[3] Indexed to Credit Event Notes.
[4] In 2008, indexed from 82% to 86% of CDI.

d) Money Market Funding Expenses

	Bank 2009	Bank 2008	Consolidated 2009	Consolidated 2008
Time Deposits	6,101,616	4,268,924	7,569,705	6,649,063
Savings Deposits	1,110,221	493,423	1,315,715	781,010
Interbank Deposits	2,360,993	475,122	295,632	77,125
Money Market Funding	3,088,362	1,816,966	3,370,304	1,721,069
Others [1]	(713,024)	2,564,349	(502,966)	3,449,420
Total	**11,948,168**	**9,618,784**	**12,048,390**	**12,677,687**

[1] Includes, mainly, expenses funds from acceptance and issuance of securities.

e) Borrowings and Onlendings

				Bank/ Consolidated	Bank	Consolidated
					2009	2008
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total	Total
Local Borrowings	**163,061**	**77,052**	**259,782**	**499,895**	**184,583**	**584,495**
Foreign Borrowings	**2,947,355**	**4,857,371**	**2,620,009**	**10,424,735**	**11,249,229**	**13,822,707**
Import and Export Financing Lines	1,556,066	4,578,486	2,432,979	8,567,531	9,245,848	11,451,224
Other Credit Lines	1,391,289	278,885	187,030	1,857,204	2,003,381	2,371,483
Domestic Onlendings	**1,394,753**	**1,086,482**	**5,933,049**	**8,414,284**	**4,267,574**	**7,840,242**
Foreign Onlendings	**336,691**	**386,196**	**1,141,202**	**1,864,089**	**-**	**3,282,744**
Total	**4,841,860**	**6,407,101**	**9,954,042**	**21,203,003**	**15,701,386**	**25,530,188**
Current				**11,248,961**	**11,683,743**	**15,943,476**
Long-term				**9,954,042**	**4,017,643**	**9,586,712**

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 in the Bank and in the Consolidate and subject to financial charges corresponding to exchange variation plus interest ranging from 0.4% p.a. to 11.0% p.a. (2008 -1.7% a.a. a 9.4% a.a.).

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 the Bank and in the Consolidated, foreign onlendings are subject to interest ranging from 0.9% p.a. to 6.8% p.a. (2008 -0.9% a.a. a 5.5% a.a. in the Consolidated) and exchange rate change falling due through 2014.

20. Tax and Social Security

Tax and social security payables comprise taxes payable and amounts being challenged in the courts.

	Bank		Consolidated	
	2009	2008	2009	2008
Reserve for Tax Contingencies (Note 23)	5,003,557	1,460,410	6,434,315	5,521,211
Reserve for tax Contingencies - Responsibility of Former Controlling Stockholders (Note 23,h)	429,505	459,291	430,357	459,291
Provision for Deferred Taxes	1,388,295	1,542,886	3,507,389	2,732,855
Accrued Taxes on Income	994,886	2,215	1,390,000	388,418
Taxes Payable	277,403	126,855	301,260	462,849
Total	**8,093,646**	**3,591,657**	**12,063,321**	**9,564,624**
Current	**1,877,219**	**184,085**	**2,864,753**	**1,414,571**
Long-term	**6,216,427**	**3,407,572**	**9,198,568**	**8,150,053**

Nature and origin of deferred tax liabilities

					Bank
	December 31, 2008	Merger [1]	Recognition	Realization	December 31, 2009
Adjustment to Fair Value of Trading Securities	1,325,342	1,273	-	(289,191)	1,037,424
Adjustment to Fair Value of Available-for-sale Securities	179,498	175,764	-	(123,399)	231,863
Excess Depreciation of Leased Assets	38,046	-	78,788	-	116,834
Others	-	2,182	-	(8)	2,174
Total	**1,542,886**	**179,219**	**78,788**	**(412,598)**	**1,388,295**

				Bank
	December 31, 2007	Recognition	Realization	December 31, 2008
Adjustment to Fair Value of Trading Securities	434,665	890,677	-	1,325,342
Adjustment to Fair Value of Available-for-sale Securities	248,582	20,687	(89,771)	179,498
Excess Depreciation of Leased Assets	-	38,046	-	38,046
Others	32,878	-	(32,878)	-
Total	**716,125**	**949,410**	**(122,649)**	**1,542,886**

					Consolidated
	December 31, 2008	Acquisition/ Disposal [1]	Recognition	Realization	December 31, 2009
Adjustment to Fair Value of Trading Securities	1,327,588	2,665	1,757	(290,277)	1,041,733
Adjustment to Fair Value of Available-for-sale Securities	226,094	27,134	139,059	(127,472)	264,815
Excess Depreciation of Leased Assets	1,176,290	-	1,033,129	(11,120)	2,198,299
Others	2,883	1,330	123	(1,794)	2,542
Total	**2,732,855**	**31,129**	**1,174,068**	**(430,663)**	**3,507,389**

					Consolidated
	December 31, 2007	Acquisition/ Disposal [1]	Recognition	Realization	December 31, 2008
Adjustment to Fair Value of Trading Securities	435,767	1,791	890,728	(698)	1,327,588
Adjustment to Fair Value of Available-for-sale Securities	248,583	525	66,761	(89,775)	226,094
Excess Depreciation of Leased Assets	3,169	785,075	389,477	(1,431)	1,176,290
Others	54,320	105,476	703	(157,616)	2,883
Total	**741,839**	**892,867**	**1,347,669**	**(249,520)**	**2,732,855**

[1] Merger/Acquisition/Disposal of companies (Note 16).

21. Subordinated Debts

Consist of securities issued according to the rules of the Bacen, which are used as Level II Reference Equity for calculating the operating limits.

					Bank/Consolidated	Bank
					2009	2008
	Issuance	Maturity	Amount	Interest rate (p.a.)		
Subordinated Certificates of Deposit [2]	June-06	July-16	R$1.500 million	105.0% CDI	2,263,856	2,050,292
Subordinated Certificates of Deposit	March-09	March-19	R$1,507 million	13.8%	1,667,219	-
Subordinated Certificates of Deposit	October-06	September-16	R$850 million	104.5% CDI	1,226,492	1,111,313
Subordinated Certificates of Deposit	July-07	July-14	R$885 million	104.5% CDI	1,155,269	1,046,778
Perpetual Bonds [1]	September-05	Indeterminate	US$500 million	8.7%	872,704	1,171,324
Subordinated Certificates of Deposit [2] [5]	April-08	April-13	R$600 million	100.0% CDI + 1.3%	733,444	659,220
Subordinated Certificates of Deposit [2] [5]	April-08	April-13	R$555 million	100.0% CDI + 1.0%	679,443	612,183
Subordinated Certificates of Deposit [2]	July-06 a October-06	July-16	R$447 million	104.5% CDI	665,790	603,266
Subordinated Certificates of Deposit [2] [5]	January-07	January-13	R$300 million	104.0% CDI	418,055	378,974
Subordinated Certificates of Deposit [2] [5]	August-07	August-13	R$300 million	100.0% CDI + 0.4%	390,192	353,546
Subordinated Certificates of Deposit [2] [5]	January-07	January-14	R$250 million	104.5% CDI	348,846	316,086
Subordinated Certificates of Deposit [2] [3]	May-08 to June-08	May-13 to maio-18	R$283 million	CDI	338,366	305,087
Subordinated Certificates of Deposit [2] [4]	May-08 to June-08	May-13 to June-18	R$268 million	IPCA	325,676	288,447
Subordinated Certificates of Deposit [2] [5]	November-08	November-14	R$100 million	120.5% CDI	114,490	102,184
Subordinated Certificates of Deposit [2] [5]	February-08	February-13	R$85 million	IPCA +7.9%	107,048	95,175
Floating Rate Notes [5]	November-99	November-09	US$170 million	Libor + 4.5%	-	80,400
Floating Rate Notes [5]	November-99	November-09	US$30 million	Libor + 4.5%	-	14,167
Total					11,306,890	9,188,442
Current					2,104	97,391
Long-term					11,304,786	9,091,051

[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 Bacen, 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 1.2% p.a. to 1.5% p.a.
[4] Indexed to the IPCA (extended consumer price index) plus interest of 8.3% p.a. to 8.7% p.a.
[5] In 2008, makes reference the emissions of consolidated.

22. Other Payables -Other

	Bank		Consolidated	
	2009	2008	2009	2008
Credit cards	5,499,247	2,150,460	5,499,247	4,898,337
Reserve for Labor and Civil Contingencies (Note 23)	4,547,098	1,615,569	4,732,023	3,409,033
Reserve for Contingencies - Responsibility of Former Controlling Stockholders (Note 23,h)	92,762	195,247	94,742	195,247
Sale of Right to Receipt of Future Flow of Payment Orders from Abroad [1]	1,371,588	1,816,289	1,371,588	1,816,289
Payables for Acquisition of Assets and Rights [2]	799,122	1,097,670	799,195	1,250,565
Pension plan (Note 35)	829,437	526,833	829,437	526,833
Accrued Liabilities				
Personnel Expenses	1,060,777	478,772	1,105,303	819,109
Administrative Expenses	222,897	393,687	250,834	693,564
Other Payments	131,500	49,600	227,766	256,592
Payables to Suppliers	72,956	102,319	91,811	104,128
Creditors for Unreleased Funds	271,177	55,612	271,177	200,037
Insurance Transaction Debts	-	-	424,490	-
Agreements With Official Institutions	127,271	211,891	127,271	532,744
Provision of Payment Services	163,737	7,143	163,737	140,208
Other	2,372,136	766,642	2,299,729	1,541,909
Total	**17,561,705**	**9,467,734**	**18,288,350**	**16,384,595**
Current	**11,283,527**	**4,463,015**	**11,760,662**	**10,824,526**
Long-term	**6,278,178**	**5,004,719**	**6,527,688**	**5,560,069**

[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$190million (2008 - US$277 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, the series 2009- 1 in the amount of US$50 million, with charges equivalent to Libor (6 months) + 2.1% p.a., payable semiannually, with the principal payable in 6 semiannual installments from March 2012 to September 2014, and the series 2009-2, in the amount of US$50 million, with charges of 6.3% p.a., payable semiannually, with the principal payable in 14 semiannual installments from March 2013 to September 2019.
[2] Refers basically to export note loan operations in the amount of R$748,754 (2008 - R$1,054,940).

23. Contingent Assets and Liabilities and Legal Obligations - Tax and Social Security

Banco Santander 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.

Management understands that the recognized reserves are sufficient to cover possible losses on the lawsuits.

a) Contingent assets

In December, 31, 2009 and 2008 no contingent assets were accounted for.

b) Contingent liabilities and legal obligations by nature

	Bank		Consolidated	
	2009	2008	2009	2008
Reserve for Tax Contingencies [1] (Note 20)	5,003,557	1,460,410	6,434,315	5,521,211
Reserve for Labor and Civil Contingencies (Note 22)	4,547,098	1,615,569	4,732,023	3,409,033
Reserve for Labor Contingencies	3,005,466	1,217,540	3,094,615	2,220,208
Reserve for Civil Contingencies	1,541,632	398,029	1,637,408	1,188,825
Total	**9,550,655**	**3,075,979**	**11,166,338**	**8,930,244**

[1] Includes, mainly, legal obligations.

c) Changes in contingent liabilities and legal obligations

			2009			2008
	Tax	Labor	Civil	Tax	Labor	Civil
Balance at beginning of year	**1,460,410**	**1,217,540**	**398,029**	**2,076,861**	**1,036,653**	**333,074**
Recognition [1]	1,599,464	1,679,080	681,496	548,160	781,798	214,313
Reversal of Accruals	(80,170)	-	-	-	-	-
Merger/ Acquisition/ Disposal of Shareholding Interest (Note 16)	2,655,189	1,043,807	759,607	-	-	-
Write-offs Due to Payment [2] [4]	(631,336)	(934,961)	(297,500)	(1,299,000)	(600,911)	(149,358)
Others [1]	-	-	-	134,389	-	-
Balance at end of year	**5,003,557**	**3,005,466**	**1,541,632**	**1,460,410**	**1,217,540**	**398,029**
Escrow Deposits - Other Receivables [3]	928,940	873,723	153,218	595,864	383,349	57,866
Escrow Deposits - Securities [3]	49,596	49,739	52,035	14,989	76,635	5,795

						Consolidated
			2009			2008
	Tax	Labor	Civil	Tax	Labor	Civil
Balance at beginning of year	**5,521,211**	**2,220,208**	**1,188,825**	**2,395,446**	**1,074,131**	**343,183**
Recognition [1]	2,332,489	1,778,097	777,888	863,527	1,023,187	310,885
Reversal of Accruals	(256,902)	(3,619)	(5,752)	(99,574)	(29,405)	(19,705)
Acquisition/ Disposal of Shareholding Interest (Note 16)	(678)	89,637	15,990	3,508,138	836,405	744,936
Write-offs Due to Payment [2] [4]	(1,161,805)	(989,708)	(339,543)	(1,302,059)	(684,110)	(190,474)
Others [2]	-	-	-	155,733	-	-
Balance at end of year	**6,434,315**	**3,094,615**	**1,637,408**	**5,521,211**	**2,220,208**	**1,188,825**
Escrow Deposits - Other Receivables [3]	1,252,140	892,940	178,421	1,603,755	1,007,198	217,658
Escrow Deposits - Securities [3]	54,278	49,739	52,281	34,016	76,808	142,755

[1] There are Tax Risks in contingent tax and legal liabilities recognition in the period, under Tax Expenses, Other Operating Expenses and Income Tax and Social Contribution.
[2] In June 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 contribution tax rate (18%) for financial institutions. As the obligation was paid, the related tax credit, recorded as a reduction to liabilities, was reclassified to Other receivables (note 12.a). The Bank still challenges in court the application of the increased tax rate and, on June 9, 2008, filed a special appeal and an extraordinary appeal with the proper court.
[3] Do not include escrow deposits for possible and/or remote contingencies and appeal deposits.
[4] Includes the effects of the application of Law 11,941/2009 on lawsuits claiming about tax and previdencial debits (Note 23.d).

d) Legal obligations -tax and social security

In November 2009, the Bank and its controlled entities joined the program of installments and payment of tax debts and social security established by Law 11941/2009. The main processes included in this program were: (i) Deductibility of CSLL, in which the entities were claiming the deduction of CSLL in the calculation of IRPJ. (ii) lawsuit filed by several companies of the group challenging the application of an increased CSLL rate (18% -30%) for financial institutions as compared to the rate for non-financial companies (8% -10) and (iii) Concurrency IRPJ, in which ABN Leasing intended to reconcile for income tax depreciation expense in the same period of recognition of revenue from leasing consideration.

Considering the rules established in this Law, the accounting effects of tax and social security contingencies included as cash payment, were recorded at the time of entry into the program. As a result, was settled contingent tax liabilities in the amount of R$681,841 in the Bank and R$ 1,344,860 through the payment (R$45,959 in the Bank and R$422,857 in the Consolidated) and the conversion of guarantee deposits (R$583,180 in the Bank and R$ 731,160 in the Consolidated). It was recorded in the income of the year in the account "Other operating income (expenses)", a net gain of R$35,094 in the Bank and R$ 207,603 in the Consolidated before taxes. It was not used tax loss carryforwards or social contribution in the settlement of these tax debts as authorized by the Law.

The Bank and its subsidiaries also accepted to split the tax debts and social security, which may be settled at a later date after the formal consolidation of debts, to be held by the Federal Revenue Service, under the rules of the program. Thus, no accounting effect was recognized in the case of this kind of a split as it was not possible to identify and quantify the processes to be included in the program and its accouting effects.

The main judicial and administrative proceedings involving tax and social security obligations that remain after the application of Law n°11.941/09 are:

PIS and Cofins -R$3,317,827 in the Bank and R$3,739,729 in the Consolidated (2008 -R$670,371 in the Bank and R$2,210.489 in the Consolidated): lawsuit filed by several companies of the conglomerate against the provisions of article 3, paragraph 1 of Law No. 9.718/98, pursuant to which PIS and COFINS must be levied on all revenues of legal entities. Prior to said provisions, already overruled by several recent decisions by the Federal Supreme Court, PIS and Cofins were levied only on revenues from services and sale of goods.

CSLL - equal tax treatment -R$180,452 in the Bank and R$258,985 in the Consolidated (2008 -R$502,948 in the Consolidated): lawsuit filed by several companies of the group challenging the application of an increased CSLL rate (18% -30%) for financial institutions as compared to the rate for non-financial companies (8% -10%). These proceedings were not subject of the application of Law 11.941/09.

Increase in CSLL tax rate - R$300,066 in the Bank and R$563,419 in the Consolidated (2008 -R$131,761 in the 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.

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 recorded. The matters in dispute refer to the following:

ISS (service tax) - Financial Institutions -R$257,244 in the Bank and R$268,845 in the Consolidated (2008 -R$75,820 in the Bank and R$279,554 in the Consolidated) 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.

INSS (social security contribution) - R$181,353 in the Bank and R$209,045 in the Consolidated (2008 -R$76,570 in the Bank and R$163,896 in the Consolidated): 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.

Allowance for doubtful accounts - R$181,246 in the Bank and R$209,559 in the Consolidated (2008

-R$205,714 in the 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.

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, reserves are recognized based on the history of payments made. Labor claims that do not fit into the previous criterion are accrued according to the escrow deposits made for the lawsuits or are assessed individually, and reserves are recognized based on the status of each lawsuit, law and previous court decisions according to the assessment of the likelihood of a favorable outcome, and the risk assessment made by the legal counsel.

g) Civil contingencies

Lawsuits for indemnity seek indemnity for property damage and/or pain and suffering, relating to the consumer relationship on matters related to credit cards, bank accounts, collection and loans. There are also collection lawsuits related to the elimination of inflation effects in savings and escrow deposit accounts deriving from the Economic Plans (Bresser, Verão, Collor I and II).

For civil lawsuits considered to be similar and usual, reserves are recognized based on the history of payments made. Civil lawsuits that do not fit into the previous criterion are accrued according to the individual assessment made, and reserves are recognized based on the status of each lawsuit, law and previous court decisions according to the assessment of the likelihood of a favorable outcome, and the risk assessment made by the legal counsel.

On September 1, 2009, the Bank reached an settlement with the non-controlling stockholders of the extinct Banco Noroeste related to the lawsuits filed against the corporate events that occurred in 1998 and 1999 and the lawsuits were terminated. This settlement and the resulting termination of the lawsuits have already been confirmed by courts.

h) Other lawsuits under the responsibility of former controlling stockholders

Refer to tax, labor and civil lawsuits in the amounts of R$429,505, R$60,631 and R$32,131 in the Bank and R$430,357, R$61,141 and R$33,601 in the Consolidated (2008 -R$459,291, R$137,861 and R$57,386 in the Bank and in the Consolidated), respectively, recorded under "Other payables -tax and social security" (Note 20) and "Other payables -other" (Note 22) 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$522,267 in the Bank and R$525,099 in the Consolidated (2008 -R$654,538 in the Bank and in the Consolidated), 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 Distribuídora de Títulos e Valores Mobiliários Ltda. (Santander DTVM), actual Produban Serviços de Informática S.A. and another Infraction Notice against the former Banco Santander Brasil S.A., both in the amount of R$290 million. The notices refer to the collection of a CPMF tax credit on transactions conducted by Santander DTVM in the management of its customers' funds and clearance services provided by the Bank to Santander DTVM, according to the agreement between these two companies, in 2000, 2001 and the first two months of 2002. Both companies consider that the tax treatment adopted was adequate since said transactions were subject to CPMF at zero rate. The Board of Tax Appeals judged the administrative proceedings, annulling the infraction notice of Santander DTVM and confirming the infraction notice of the Bank. In both cases, an administrative appeal can be filed with the Higher Board of Tax Appeals (CSRF). The updated amount of each proceeding is approximately R$ 515 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 y 2002 on amounts reimbursed by the former controlling g stockholder of Banco Santander S.A. gy 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$381 million.

Addition to the Price on the Purchase of Shares of Banco do Estado de São Paulo S.A. -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. 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. The updated amount involved is approximately R$345 million.

Losses on lending operations -Administrative collection by the Federal Revenue Service in view of the deduction from the IRPJ and CSLL basis of losses on lending operations once they would not have met the conditions and terms laid down in the current legislation. The updated amount involved is approximately R$224 million.

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$165 million.

CSLL -equal tax treatment -Amendment 10/96 -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$162 million.

CSLL -Final and unappealable decision -This lawsuit claims the right not to recognize the tax credit claimed by the Federal Revenue Service related to alleged irregularities in the payment of CSLL, as the Entity was granted a favorable final and unappealable decision that overrules the collection of CSLL under Law 7689/1988 and Law 7787/1989. The appeals filed with the Federal Regional Court are awaiting a decision. The amount involved adjusted for inflation is approximately R$148 million.

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 and the Bank has filed an appeal. The involved amount is not disclosed due to the current stage of the lawsuit and the possibility of affecting its progress.

On October 13, 2009, as a result of the Global Share Offering (note 1), the capital of Banco Santander was increased by 525,000,000 Units, each Unit represents 55 common shares and 50 preferred shares, all registered On

24. Stockholders' Equity

a) Capital

According to the bylaws, the Bank's capital may be increased to the limit of authorized capital, regardless of statutory, by resolution of the Board of Directors and through the issuance of up to 500 billion new shares, within the limits legally established as the number of preferred shares. Any increase in capital in excess of this limit will require the approval of the stockholders. The paid-up capital is represented as follows:

Shares in thousands

	2009			2008		
	Common	Preferred	Total	Common	Preferred	Total
Brazilian residents	33,546,259	32,004,313	65,550,572	2,734,410	3,993,767	6,728,177
Foreign residents	179,295,473	154,198,072	333,493,545	171,558,006	147,472,100	319,030,106
Total	212,841,732	186,202,385	399,044,117	174,292,416	151,465,867	325,758,283

October 29, 2009 the number of shares initially offered in the Global Share Offering was increased by 6.85%, i.e., 35,955,648. Totaling an increase of R$13,182,458 and the transaction costs of R$193,616 were recorded as a debit in the Capital Reserve line.

The Extraordinary Shareholders' Meeting held on August 14, 2009 approved the capital increase of Banco Santander in the amount of R$2,471,413, with the issuance of 14,410,886 thousand shares (7,710,343 thousand are common shares and 6,700,543 thousand are preferred share) ,all of them registered and without par value, related to the share merger of Santander Seguros, Santander Brasil Asset and BCIS (Note 2).

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 thousand shares, (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, (Note 2).

At the meeting held on July 25, 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.

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.

				2009
		Reais per thousand shares/Units		
	In thousands of reais [5]	Common	Preferred	Units
Interest on capital recognized in income for the year ended December 31, 2009 [1]	340,000	0,9974	1,0972	n.a.
Interest on capital recognized in income for the year ended December 31, 2009 [2]	285,000	0,8361	0,9197	n.a.
Interim dividends recognized in income for the year ended December 31, 2009 [3]	327,400	0,7839	0,8623	86,2271
Intermediate dividends recognized in income for the year ended December 31, 2009 [3]	422,600	1,0118	1,1130	111,2999
Interest on capital recognized in income for the year ended December 31, 2009 [3] [4]	200,000	0,4789	0,5267	52,6738
Total Accumulated as of December 31, 2009	**1,575,000**			

[1] Established by Board of Directors in April 2009. Common shares - R$0.8478 and Preferred shares - R$0.9326, net of taxes.
[2] Established by Board of Directors in June 2009. Common shares - R$0.7107 and Preferred shares - R$0.7817, net of taxes.
[3] Established by Board of Directors in December 2009.
[4] Common shares - R$0.4070 and Preferred shares - R$0.4477, net of taxes, and Units R$44,7728.
[5] The amount related to the intermediate dividends, intercalary dividends and interest on capital are fully input into the mandatory dividends, which will be paid on February 22, 2010, without any additional amount for monetary for monetary correction.

				2008
		Reais per thousand shares/Units		
	In thousands of reais [5]	Common	Preferred	Units
Dividends based in interim income for the year ended December 31, 2008 [1]	752,807	2,2084	2,4293	n.a.
Dividends based in interim income for the year ended December 31, 2008 [1]	217,193	0,6372	0,7009	n.a.
Dividends based in Recognized Reserves [1]	3,045	0,0089	0,0098	n.a.
Interest on capital recognized in income for the year ended December 31, 2008 [1] [2]	480,000	1,4081	1,5489	n.a.
Total accumulated as of December 31, 2008	**1,453,045**			

[1] Established by Board of Directors in December 2008.
[2] Common shares - R$1,1969 and Preferred shares - R$1,3166, net of taxes.

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) Treasury shares

On February, 2009 the Bank acquired 25,395 thousands own shares for the amount R$1,948. The Extraordinary Shareholders' Meeting held on August, 2009 decided the cancellation of shares of its own issuance held in treasury, without reducing capital, through the absorption of R$ 1,948 of the Capital Reserves account.

e) Consolidated stockholders' equity – Unrealized Results

The Consolidated Stockholders' Equity is decreased by R$34,753 (2008 -R$37,328) of unrealized results and the realization of these results affected net income in the period by R$4,707 (2008 -R$39,709).

25. 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]	
	2009	2008
Adjusted Tier I Regulatory Capital [2]	42,357,612	23,033,013
Tier II Regulatory Capital	9,972,644	8,504,338
Adjusted Regulatory Capital (Tier I and II) [2]	**52,330,256**	**31,537,351**
Required Regulatory Capital	**22,483,494**	**23,527,735**
Adjusted Portion of Credit Risk [2]	20,607,792	22,324,423
Market Risk Portions [3]	844,882	916,186
Operational Risk Portion	1,030,820	287,126
Basel II Ratio	**25.6%**	**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 classified in the trading portfolio.

Financial institutions are required to maintain investments in permanent assets compatible with adjusted regulatory capital. Funds invested in permanent assets, calculated on a consolidated basis, are limited to 50% of regulatory capital, as per prevailing regulation. On December 31, 2009 and 2008, Santander classifies for said index.

26. Related-Party Transactions

a) Management compensation

At the Stockholders' meeting was defined to maximum aggregate compensation for the Board of Directors and Executive Officers the amount of R$225,554 thousands. In 2008, the management compensation, made reference to the amount defined by Santander´s Stockholders and Banco Real Conglomerate´s compensation since August 29, 2008, (Note 2.a) totaling R$108,702.

I) Short-term benefits

Board of Directors' and Executive Board's compensation		Consolidated
	2009	2008
Fixed Compensation	35,258	16,017
Variable Compensation	121,490	55,421
Other	6,294	4,335
Total	163,042	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.

b) Lending operations

In conformity with prevailing regulations, financial institutions cannot grant loans or advances to:

I) 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;

II) any entity controlled by the institution; or

III) 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.

c) Ownership interest

The table below shows the direct interest (common shares and preferred shares) outstanding.

2009
(in thousand of shares, except percentages)

	Common		Preferred		Total	
Stockholders'	**Shares**	**(%)**	**Shares**	**(%)**	**Shares**	**(%)**
Grupo Empresarial Santander, S.L. (1)	74,967,225	35.2%	63,531,986	34.1%	138,499,211	34.7%
Sterrebeeck B.V. (1)	99,527,083	46.8%	86,492,330	46.5%	186,019,413	46.6%
Santander Seguros S.A. (2)	7,241	0.0%	9,525	0.0%	16,766	0.0%
Santander Insurance Holding (1)	4,745,084	2.2%	4,125,836	2.2%	8,870,920	2.2%
Employees	311,840	0.1%	284,366	0.2%	596,206	0.1%
Members of the Board of Directors	(*)	(*)	(*)	(*)	(*)	(*)
Members of the Executive Board	(*)	(*)	(*)	(*)	(*)	(*)
Other	33,283,259	15.6%	31,758,342	17.1%	65,041,601	16.3%
Total	**212,841,732**	**100.0%**		**100.0%**	**399,044,117**	**100.0%**

(1) Companies of the Santander Spain Group.
(2) The Merger of Shares of Santander Seguros, mentioned in Note 2.c, was carried to mutual participation between Santander and Santander Seguros, which will be eliminated within a maximum of one year from the Extraordinary General
Meeting which approved and the Merger of Shares, as provided rules in force.
(*) None of the members of the Board of Directors and the Executive Board holds 1.0% or more of any class of shares.

d) 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:

	2009		2008	
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
Cash and Cash Equivalents	**295,448**	**-**	**307,695**	**-**
Banco Santander, S,A, - Espanha	294,539	-	307,426	-
Other	909	-	269	-
Interbank Investments	**16,602,586**	**1,594,576**	**8,229,944**	**48,350**
Aymoré CFI	15,282,350	1,543,283	-	-
Banco Santander, S,A, - Espanha	993,768	2,463	3,419,411	23,911
Abbey National Treasury Services Plc	-	2,487	4,674,000	9,437
Banco Real	-	-	-	3,604
SB Leasing	-	5,892	121,755	10,590
Other	326,468	40,452	14,778	808
Securities and Derivatives	**27,848,575**	**2,534,502**	**6,022,769**	**6,208,378**
Santander Leasing	26,950,695	1,599,649	-	-
Santander Benelux, S,A,, N,V,	891,133	489,345	1,472,414	5,565,713
ABN Leasing	-	241,835	-	-
Banco Real	-	-	662,968	134,823
SB Leasing	-	305,221	3,858,112	429,471
Other	6,747	(101,548)	29,275	78,371
Dividends and Bonuses Receivables	**265,588**	**-**	**394,846**	**-**
Santander Seguros	187,504	-	-	-
Santander Leasing	47,422	-	-	-
Santander CCT	14,058	-	20,789	-
RCI Leasing	4,948	-	-	-
AAB Dois Par	-	-	193,856	-
Santander Participações	-	-	168,028	-
Other	11,656	-	12,173	-
Trading	**251**	**-**	**18,865**	**-**
Banco Santander, S,A, - Espanha	251	-	18,865	-
Foreign Exchange Portfolio	**6,051,576**	**293,559**	**2,546,422**	**-**
Banco Real	-	-	217,717	-
Banco Santander, S,A, - Espanha	6,051,576	293,559	1,924	-
Santander Benelux, S,A,, N,V,	-	-	2,326,781	-
Receivables from Affiliates	**393,385**	**2,563,889**	**130,597**	**70,459**
Santander Seguros	375,215	-	115,720	1,078
Santander Capitalização	4,021	31,329	3,054	35,054
SB CTVM	-	-	3,728	28,744
Santusa Holding, S,L,	-	2,360,208	-	-
Aymoré CFI	-	14,375	-	-
Santander Asset	-	-	147	3,505
Banco Santander, S,A, - Espanha	102	114,004	1,924	-
Other	14,047	43,973	6,024	2,078

	2009		2008	
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
Other Receivables - Other	**107,972**	**17,890**	**148,955**	**8,015**
Brazil Foreign Diversified Payment Rights Finance Company	106,749	-	147,982	-
Santander Capitalização	1,203	1,141	918	-
Banco Santander, S,A, - Espanha	-	15,990	-	7,900
Other	20	759	55	115
Deposits	**(34,003,663)**	**(2,801,602)**	**(5,159,398)**	**(499,376)**
Santander Leasing	(20,728,417)	(1,285,645)	-	-
Aymoré CFI	(11,450,555)	(724,792)	-	-
Banco Bandepe	(1,289,935)	(117,176)	-	-
Santander CCT	(139,199)	(16,663)	(82,534)	(12,988)
ABN Leasing	-	(258,784)	-	-
Banco Real	-	-	(613,167)	(192)
SB Leasing	-	(282,089)	(3,658,948)	(415,655)
Santander Participações	-	(23,757)	(593,257)	(46,248)
Other	(395,557)	(92,695)	(211,492)	(24,293)
Repurchase Commitments	**(768,025)**	**(47,882)**	**(3,773,720)**	**(94,307)**
Real Fdo Inv, Mult, Santillana Cred, Privado	(192,139)	(7,922)	-	-
ISBAN Brasil S,A, - Altec	(112,134)	(4,337)	-	-
Fundo de Investimento Multimercado Menorca Crédito Privado	(106,490)	-	-	-
SB Consórcios	(96,953)	(5,217)	-	-
Santander CCT	(80,879)	(685)	(117,485)	(10,654)
Real CHP S,A,	(57,917)	-	-	-
Produban Informática	(43,138)	(3,053)	-	-
Webmotors S,A,	(29,990)	(3,016)	-	-
Banco Bandepe	(29,670)	1	-	-
AAB Dois Par	-	(2,282)	-	-
ABN AMRO Real Administradora de Consórcio Ltda,	-	(8,339)	-	-
Banco Real	-	-	(3,656,235)	(81,611)
CBSS	-	(4,821)	-	-
Real Corretora de Seguros S,A,	-	(4,853)	-	-
Santander Seguros	-	(1,904)	-	-
Other	(18,716)	(1,456)	-	(2,042)
Securities and Derivatives	**(108,231)**	**(2,648)**	**-**	**-**
Banco Santander, S,A, - Espanha	(108,231)	(2,648)	-	-
Borrowings and Onlendings	**(3,180,270)**	**(176,360)**	**(3,493,865)**	**(51,739)**
Banco Santander, S,A, - Espanha	(2,633,465)	(164,203)	(2,213,063)	(12)
Abbey National Beta Investments Limited	(387,616)	(1,869)	-	-
Santander Overseas Bank, Inc - Puerto Rico	-	(9,062)	(1,153,129)	(50,406)
Other	(159,190)	(1,225)	(127,673)	(1,321)
Derivatives	**(982,307)**	**(857,522)**	**(3,062,122)**	**(6,198,065)**
Santander Benelux, S,A,, N,V,	(957,392)	(810,317)	(1,434,703)	(5,906,458)
Abbey National Treasury Services Plc	(24,028)	(20,539)	-	(18,615)
Banco Real	-	-	(1,587,175)	(196,810)
Other	(887)	(26,667)	(40,244)	(76,182)
Foreign Exchange Portfolio	**(6,015,609)**	**(227,281)**	**(201,284)**	**-**
Banco Santander, S,A, - Espanha	(6,015,609)	(227,281)	-	-

	2009		2008	
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
Banco Real	-	-	(201,284)	-
Dividends and Bonuses Payables	**(1,288,556)**	**-**	**(1,352,252)**	**-**
Sterrebeeck B,V,	(730,728)	-	(784,892)	-
Grupo Empresarial Santander, S,L,	(537,312)	-	(567,344)	-
Other	(20,516)	-	(16)	-
Payables to Affiliates	**(11,036)**	**(84,583)**	**(12,163)**	**(1,292)**
Banco Santander, S,A, - Espanha	(8,755)	(700)	(12,075)	(289)
Microcrédito	(1,593)	(19,283)	-	-
Aymoré CFI	(459)	-	-	-
Ingeniería de Software Bancario, S,L,	-	(19,564)	-	-
Produban Servicios Informáticos Generales, S,L,	-	(14,289)	-	-
Aquanima Brasil Ltda,	-	(22,239)	-	-
Universia Brasil S,A,	-	(2,299)	-	-
Santander Brasil Asset	-	(3,220)		
Other	(229)	(2,989)	(88)	(1,003)
Other Payables - Other	**(3,038,807)**	**(304,167)**	**(1,840,265)**	**(291,972)**
Brazil Foreign Diversified Payment Rights Finance Company	(1,371,588)	(52,285)	(1,816,289)	(65,403)
Banco Santander, S,A, - Espanha	(1,667,219)	(197,147)	-	-
Ingeniería de Software Bancario, S,L,	-	(1,125)	(14,479)	(19,857)
ISBAN Brasil S,A,	-	-	(6,368)	(95,552)
Produban Informática	-	-	(45)	(82,519)
Santander Investment Securities Inc,	-	(44,757)	-	-
Altec, S,A, - Chile	-	(6,103)	-	-
Other	-	(2,751)	(3,084)	(28,641)

				Consolidated
		2009		2008
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
Cash and Cash Equivalents	**295,448**	**-**	**714,127**	**-**
Banco Santander, S,A, - Espanha	294,539	-	713,858	-
Other	909	-	269	-
Interbank Investments	**993,768**	**4,949**	**8,216,392**	**33,348**
Banco Santander, S,A, - Espanha	993,768	2,463	3,542,392	23,911
Abbey National Treasury Services Plc	-	2,487	4,674,000	9,437
Other	-	-	-	-
Securities and Derivatives	**897,352**	**386,528**	**1,501,689**	**5,644,084**
Santander Benelux, S,A,, N,V,	891,133	489,344	1,472,414	5,565,713
Real Fdo Inv, Mult, Santillana Cred, Privado	5,739	(182,833)	-	-
Fundo de Investimento Multimercado Menorca de Crédito Privado	480	60,282	-	-
Abbey National Plc	-	17,702	417	-
Other	-	2,033	28,858	78,371
Trading	**251**	**-**	**18,865**	**-**
Banco Santander, S,A, - Espanha	251	-	18,865	-
Foreign Exchange Portfolio	**6,051,576**	**293,559**	**2,872,705**	**-**
Banco Santander, S,A, - Espanha	6,051,576	293,559	545,924	-
Santander Benelux, S,A,, N,V,	-	-	2,326,781	-
Receivable from Affiliates	**102**	**2,487,029**	**125,237**	**44,032**
Banco Santander, S,A, - Espanha	102	114,004	1,924	7,900
Santander Capitalização	-	12,597	3,054	35,054
Santander Seguros	-	213	115,720	1,078
Santusa Holding, S,L,	-	2,360,208	-	-
Other	-	6	4,539	-
Other Receivables - Other	**106,788**	**16,794**	**147,982**	**7,900**
Brazil Foreign Diversified Payment Rights Finance Company	106,749	-	147,982	-
Banco Santander, S,A, - Espanha	13	15,990	-	7,900
Other	26	804	-	-
Deposits	**(19)**	**(11,940)**	**(120,400)**	**(10,374)**
Fundo de Investimento Multimercado Menorca de Crédito Privado	(3)	(11,940)		
ISBAN Brasil S,A,	-	-	(73,153)	(7,445)
Produban Informática	-	-	(35,438)	(2,654)
Santander Seguros	-	-	(8,094)	-
Other	(16)	-	(3,715)	(275)
Repurchase Commitments	**(298,630)**	**(7,922)**	**-**	**-**
Real Fdo Inv, Mult, Santillana Cred, Privado	(192,139)	(7,922)	-	-
Fundo de Investimento Multimercado Menorca de Crédito Privado	(106,490)			
Other	-	-	-	
Securities Issued Abroad	**(108,231)**	**(2,648)**	**-**	**-**
Banco Santander, S,A, - Espanha	(108,231)	(2,648)	-	-
Borrowings and Onlendings	**(3,180,270)**	**(176,360)**	**(5,471,056)**	**(552,897)**
Banco Santander, S,A, - Espanha	(2,633,465)	(164,203)	(4,071,725)	(439,379)
Abbey National Beta Investments Limited	(387,616)	(1,869)		
Banco Santander, S,A, - Chile	(1,783)	-	(4,287)	(50,838)
Santander Overseas Bank, Inc - Puerto Rico	-	(9,062)	(1,153,129)	(50,406)
Other	(157,406)	(1,225)	(241,915)	(12,274)

				Consolidated
		2009		2008
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
Derivatives	**(981,908)**	**(854,627)**	**(1,667,390)**	**(6,183,306)**
Santander Benelux, S,A,, N,V,	(957,392)	(810,317)	(1,468,981)	(5,915,518)
Abbey National Treasury Services Plc	(24,028)	(20,539)	-	(18,615)
Banco Santander, S,A, - Espanha	-	-	(160,648)	(204,622)
Other	(488)	(23,772)	(37,761)	(44,551)
Foreign Exchange Portfolio	**(6,015,609)**	**(227,281)**	**(502,063)**	**(135,865)**
Banco Santander, S,A, - Espanha	(6,015,609)	(227,281)	(502,063)	(135,865)
Dividends and Bonuses Payables	**(1,392,078)**	**-**	**(1,352,252)**	**-**
Sterrebeeck B,V,	(739,683)	-	(784,892)	-
Grupo Empresarial Santander, S,L,	(570,414)	-	(567,344)	-
Santander Insurance Holding, S,L,	(81,701)	-	-	-
Other	(281)	-	(16)	-
Payables to Affiliates	**(9,096)**	**(58,527)**	**(12,163)**	**(1,292)**
Banco Santander, S,A, - Espanha	(9,096)	(700)	(12,075)	(289)
Ingeniería de Software Bancario, S,L,	-	(19,564)	-	-
Aquanima Brasil Ltda,	-	(22,239)	-	-
Produban Servicios Informáticos Generales, S,L,	-	(14,289)	-	-
Other	-	(1,734)	(88)	(1,003)
Other Payables - Other	**(3,038,807)**	**(304,033)**	**(1,844,660)**	**(291,972)**
Brazil Foreign Diversified Payment Rights Finance Company	(1,371,588)	(52,285)	(1,816,289)	(65,403)
Santander Investment Securities Inc,	-	(44,757)	-	-
Banco Santander, S,A, - Espanha	(1,667,219)	(197,147)	-	-
Altec, S,A, - Chile	-	(6,103)	(4,395)	(2,837)
Ingeniería de Software Bancario, S,L,	-	(1,125)	(14,479)	(19,857)
Aquanima Brasil Ltda,	-	-	-	(16,095)
ISBAN Brasil S,A,	-	-	(6,368)	(95,552)
Produban Informática	-	-	(45)	(82,519)
Universia Brasil S,A,	-	-	-	(2,237)
Other	-	(2,616)	(3,084)	(7,472)

27. Income from Services Rendered

	Bank		Consolidated	
	2009	2008	2009	2008
Revenue from Services Provided	**3,963,143**	**3,045,357**	**5,277,294**	**4,250,300**
Lending Operations	302,673	701,118	390,837	738,818
Insurance	720,276	572,753	890,011	696,635
Income from Fund Management	712,296	538,072	894,636	707,639
Credit Cards	928,667	439,872	1,208,103	796,904
Check Account Services	282,477	188,492	312,205	219,786
Securities Brokerage and Placement Services	137,756	42,119	322,689	196,925
Receiving Services				
Collection	339,094	152,645	393,606	229,437
Bills, Taxes and Fees	97,374	62,339	114,025	84,980
Guarantees Provided	203,648	108,297	219,749	123,192
Others	238,882	239,650	531,433	455,984
Income from Banking Fees	**1,487,663**	**669,018**	**2,102,654**	**1,123,932**
Current Account and Fees	919,831	299,972	1,089,368	371,967
Loans	433,481	322,976	801,553	420,257
Others	134,351	46,070	211,733	331,708
Total	**5,450,806**	**3,714,375**	**7,379,948**	**5,374,232**

28. Personnel Expenses

	Bank		Consolidated	
	2009	2008	2009	2008
Compensation	2,199,068	1,074,966	2,775,388	1,756,447
Charges	938,731	420,537	1,189,562	720,628
Benefits	642,742	331,199	801,722	477,655
Training	83,329	25,199	88,393	46,732
Others	5,125	2,190	6,919	3,023
Total	**3,868,995**	**1,854,091**	**4,861,984**	**3,004,485**

29. Other Administrative Expenses

	Bank		Consolidated	
	2009	2008	2009	2008
Outside and Specialized Services	1,460,144	723,551	1,835,097	1,067,460
Depreciation and Amortization [1]	3,814,828	1,222,932	4,002,472	1,396,401
Advertising, Promotions and Publicity	464,618	304,550	556,763	527,818
Data Processing	816,973	435,362	1,000,697	757,075
Communications	536,444	256,572	638,817	385,256
Rentals	383,331	174,380	465,120	261,802
Transportation and Travel	280,872	128,669	362,167	200,533
Security Services	230,674	109,480	268,247	158,262
Asset Maintenance and Upkeep	142,328	82,122	175,478	107,247
Financial System Services	305,832	73,318	392,715	184,124
Utilities	116,478	63,086	137,399	85,989
Materials	78,482	35,045	92,362	55,631
Others	212,245	111,272	273,062	229,289
Total	**8,843,249**	**3,720,339**	**10,200,396**	**5,416,887**

[1] In 2009, includes goodwill amortization of R$2,808,885 in the Bank and R$2,876,821 in the Consolidated (2008 - R$570,857 in Bank and Consolidated) Note 18.

30. Tax Expenses

	Bank		Consolidated	
	2009	2008	2009	2008
COFINS (tax on revenue)	1,071,907	476,063	1,443,970	642,493
ISS (service tax)	260,626	161,569	352,669	240,760
PIS/PASEP	174,195	77,360	232,827	101,855
Others	301,277	78,968	427,711	187,804
Total	**1,808,005**	**793,960**	**2,457,177**	**1,172,912**

31. Other Operating Income

	Bank		Consolidated	
	2009	2008	2009	2008
Monetary Adjustment of Escrow Deposits	357,459	208,356	472,817	302,008
Recovery of Charges and Expenses	372,864	255,685	485,871	355,283
Reversal of Operating Accruals				
Tax (Note 23,c)	80,170	-	256,902	99,574
Labor (Note 23,c)	-	-	3,619	29,405
Civil (Note 23,c)	-	-	5,752	19,705
Others	26,645	143,856	136,993	349,363
Monetary Variation	10,611	105,095	14,344	106,535
Dividends and Bonuses	218,616	18,388	20,138	42,274
Others	239,015	64,281	459,842	308,170
Total	**1,305,380**	**795,661**	**1,856,278**	**1,612,317**

32. Other Operating Expenses

	Bank		Consolidated	
	2009	2008	2009	2008
Operating Accruals				
Labor (Note 23.c)	1,679,080	781,798	1,778,097	1,023,187
Civil (Note 23,c)	681,496	214,313	777,888	310,885
Tax (Note 23,c)	189,804	75,953	372,843	112,085
Other [1]	995,201	46,616	1,080,410	52,937
Credit Cards	312,243	158,402	406,722	232,358
Actuarial Losses - Pension Plan (note 35,a)	98,866	109,407	98,866	109,407
Monetary Losses	98,000	27,149	108,446	27,606
Legal Fees and Costs	100,657	40,491	115,341	40,506
Serasa/SPC (Credit Reporting Agency)	49,702	41,785	65,189	41,799
Interest on Sale of Right to Receipt of Future Flow of Payment Orders from Abroad [2]	(89,997)	557,157	(89,997)	557,157
Impairment of Assets [3]	848,601	11,362	848,599	74,262
Brokerage Fees	35,068	28,764	42,248	28,912
Commissions	16,402	5,718	33,023	25,246
IOF (Taxes on Banking Transactions)	15,097	16,945	15,268	17,043
Others	589,698	194,441	1,006,639	450,714
Total	**5,619,918**	**2,310,301**	**6,659,582**	**3,104,104**

[1] Includes accrued expenses related to the operating and commercial integration of the activities of Banco Real.
[2] In 2009, includes foreign exchange gains from the appreciation of the Brazilian real of R$159,161 (2008 – expense of R$497,969).
[3] In 2009, includes a provision for impairment losses over the purchase of contracts for provision of banking services in the amount of R$818,843. This impairment was recognized due to: (i) change in the Law of the portability of current accounts which allowed customers to choose the bank which they want to receive their salaries; (ii) reduction on the market value of contracts for provision of banking services; and (iii) the contracts termination experience.

33. Nonoperating (Expenses) Income

	Bank		Consolidated	
	2009	2008	2009	2008
Gain on Sale of Investments [1]	3,596,175	3,199	3,944,247	90,847
Gain on Sale of Other Assets	(24,407)	16,403	(24,773)	16,838
Reversal (Recognition) of Allowance for Losses on Other Assets	60,170	8,416	52,196	10,462
Expense on Assets Not in Use	(32,042)	(28,434)	(32,468)	(28,466)
Capital Losses	(2,700)	(34,442)	(15,663)	(52,728)
Other (expenses) Income	188,853	(18,293)	203,600	(25,367)
Total	**3,786,049**	**(53,151)**	**4,127,139**	**11,586**

[1] In 2009, includes R$3,544 million in Bank and R$3,891 million in Consolidated of gain on sale of investments of Visanet, CBSS, Tecban, Serasa and BMF&Bovespa stock exchange (note 16). In 2008, includes R$81 million in Bank and Consolidated of gain on partial sale of investments of Bovespa and BM&F.

34. Income and Social Contribution Taxes

	Bank		Consolidated	
	2009	2008	2009	2008
Income Before Taxes, Net of Profit Sharing	**2,480,126**	**1,275,797**	**3,753,163**	**1,264,481**
Profit Sharing	(730,097)	(451,911)	(854,398)	(639,172)
Interest on Capital	(825,000)	(480,000)	(832,634)	(486,608)
Unrealized Profits	-	-	(4,707)	(39,709)
Income Before Taxes	**925,029**	**343,886**	**2,061,424**	**98,992**
Total Income and Social Contribution Tax at the Rates of 25% and 15%, Respectively [1]	**(370,012)**	**(137,554)**	**(824,570)**	**(39,597)**
Equity in Subsidiaries	864,110	411,589	67,435	2,256
Reserve for Maintenance of Integrity of Stockholders' Equity	57,282	330,951	76,377	330,951
Nondeductible Expenses and Provisions [2]	6,211	(36,888)	32,620	(19,110)
Exchange Variation - Foreign Branches	(615,733)	113,584	(634,492)	640,515
Effect of Income and Social Contribution Taxes on Prior Year's Temporary Differences	136,556	128,287	157,440	128,801
Effects of Change in Rate of 9% [1]	(8,336)	(92,793)	67,409	(87,878)
Other Adjustments	(18,915)	(158)	18,395	17,403
Income and social contribution taxes	**51,163**	**717,018**	**(1,039,386)**	**973,341**

[1] Provisional Act 413 was issued on January 3, 2008 (converted into Law 11727, of June 23, 2008), which established, among other provisions, an increase in social contribution on net income (CSLL) from 9 to 15 percent for financial institutions and insurance and capitalization entities. The Provisional Act became effective on May 1, 2008. For the other companies the social contribution tax rate is 9%.
[2] Includes the tax effects related to the cash payments of lawsuits claiming of tax and previdencial debits in the application of Law 11,941/2009.

35. 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 44.9% 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% (2008 -1.16%)of the total payroll, structured as a defined benefit plan. Monthly contributions are apportioned as follows: 0.28% (2008 -0.28%) for risk benefits and 0.88% (2008 -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 contribution plan. In June 2009, the Holandaprevi Pension Plan offered to the employees of the Santander Group -the contribution to which is shared by the employee and the company -was redesigned. Holandaprevi is a private pension entity engaged in providing social security benefit plans which are supplementary to the government social security plan, in accordance with prevailing legislation.

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 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 plan Real Social 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) Other: Banco Santander S.A. and subsidiary companies are the sponsor of pension plans for associated employees, structured as defined benefit plans.

Determination of Liabilities (Assets) Net Actuarial

			2009
		Banesprev	Sanprev
	Plan V	Other Plans	Plan I and II
Reconciliation of Assets and Liabilities			
Present value of Actuarial Obligations	**6,856,080**	**5,697,026**	**74,500**
Fair Value of Plan Assets	(6,496,849)	(5,376,566)	(140,487)
Adjustments for Allowed Deferrals:			
Unrecognized Actuarial Losses	(56,703)	(913,119)	(5)
Unrecognized Actuarial Gains	-	140,866	17,853
Net Actuarial Asset at December 31, 2009 (1)	**-**	**(491,130)**	**(48,139)**
Net Actuarial Liability at December 31, 2009	**302,528**	**39,337**	**-**
Payments Made	(48,312)	(34,337)	(770)
Expenses Recorded	20,682	22,304	-
Actual Return on Plan Assets	288,524	457,163	16,069

			2009
	Other Plans	Holandaprevi (2)	Bandeprev
Reconciliation of Assets and Liabilities			
Present value of Actuarial Obligations	**302,396**	**2,475**	**883,545**
Fair Value of Plan Assets	-	(2,451)	(1,223,946)
Adjustments for Allowed Deferrals:			
Unrecognized Actuarial Losses	(116,964)	(358)	-
Unrecognized Actuarial Gains	-	767	179,403
Net Actuarial Asset at December 31, 2009 (1)	**-**	**-**	**(160,998)**
Net Actuarial Liability at December 31, 2009	**185,432**	**433**	**-**
Payments Made	(35,752)	(140)	(1,794)
Expenses Recorded	55,642	238	-
Actual Return on Plan Assets	-	607	215,113

				2008
	Plan V	Banesprev Other Plans	Sanprev Plans I and 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, 2009 (1)	**-**	**(446,315)**	**(42,079)**	**-**
Net Actuarial Liability at December 31, 2009	330,158	31,133	-	165,542
Payments Made	(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	-

				2008
	Fasass (3)	Holandaprevi	Bandeprev	Previban (4)
Reconciliation of Assets and Liabilities				
Present value of Actuarial Obligations	490,414	4,514	856,310	27,140
Fair Value of Plan Assets	(482,739)	(3,989)	(1,065,155)	(27,140)
Adjustments for Allowed Deferrals:				
Unrecognized Actuarial Losses	(19,030)	(689)	-	(118)
Unrecognized Actuarial Gains	-	730	86,787	-
Net Actuarial Asset at December 31, 2009 (1)	**(11,355)**		**(122,058)**	**(118)**
Net Actuarial Liability at December 31, 2009	-	566	-	-
Payments Made	-	(94)	(112)	-
Expenses Recorded	-	93	-	3
Actual Return on Plan Assets	7,931	438	104,531	3,081

Recorded amounts related to Defined Contribution Plans amounted to R$3,126 (2008 - R$3,236) in the Bank and R$3,142 (2008 - R$30,325) in the Consolidated.

(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 June 2009, as a result of the change in the plan with contributions shared by e/s and the company, were recorded for the new defined contribution plan of Holandaprevi R$231, corresponding to R$1,982 in assets, R$1,899 as actuarial obligation, and R$314 as deferral adjustments.

(3) In June, 2009, after the approval of the Supplementary Pension Plan Secretariat (SPC), the individual reserves of defined benefit and variable contribution private pension plans, under the responsibility of Fundação América do Sul de Assistência e Seguridade Social (FASASS), were transferred to the private pension plan company which is not a member of the Santander Group. The purpose of this operation is to offer to the assisted members and beneficiaries the option of receiving a benefit equivalent to that of the PGBL (pension plan similar to a life insurance), in view of the cancellation of the sponsorship by the Bank, approved by SPC on February 27, 2009. For the members who joined the new plans (PGBLs), Banco Santander transferred R$26,963, with financial settlement in July 2009, to form the Mathematical Reserve for Benefits Granted.

(4) In March de 2009, the withdrawal of Previban sponsoring was completed with the settlement of R$213 in actuarial obligations.

b) Main Actuarial Assumptions

Actuarial Assumptions Adopted

Nominal discount rate for actuarial obligation:

- Banesprev - Plan V and Other Plans - 11.1% (2008 - 16.5%).
- Banesprev - Supplementary pension plan - 11.1% (2008 - 14.9%).
- Sanprev Plans- 11.8% (2008 - 12.5%).
- Bandeprev, Holandaprevi and Previban - 11.1% (2008 - 10.3%).

Expected rate of return on plan assets:

- Banesprev - Plan I - 12.1% (2008 - 16.5%).
- Banesprev - Plan II - 12.5% (2008 - 16.5%).
- Banesprev - Plan III - 12.5% (2008 - 16.5%).
- Banesprev - Plan IV - 10,6% (2008 - 16.5%).
- Banesprev - Supplementary pension plan - 11.1% (2008 - 14.9%).
- Banesprev - Plan V - 10.8% (2008 - 16.5%).
- Plan Sanprev - 10.6%. (em 2008 - 10.6%).
- Bandeprev - 10.0% (2008 - 12.1%), Holandaprevi 9.68% and Previban - 11.68% (Previban and Holandaprevi in 2008 - 11.8%).

Estimated long-term inflation rate rate:

- Sanprev - All plans - 4.2% (2008 - 4.0%).
- Banesprev, Bandeprev and Holandaprevi - 4.2% (2008 - 4.0%).
- Previban - 4.0% (2008 - 4.0%)

Estimated salary and benefit increase rate:

- Banesprev - Plans I to V and Other Plans - 4.72% (2008 - 4.0%).
- Bandeprev and Holandraprevi - 4.72% (2008 - 5.04%)
- Previban - null growth as they do not have active participants.

General mortality biometric table and Estimated salary and benefit increase

- Banesprev, Sanprev, Holandaprevi, Bandeprev and other plans - AT-2000.
- Previban - UP-94 Segregated by gender

Disability biometric table and disability mortality table:

- Banesprev, Sanprev, Holandaprevi and Previban - Mercer Disability Mortality table.
- Bandeprev - Mercer Disability Mortality table.

Expected Turnover table

- Banesprev - Plan V (0.1/Length of service +1) up to 50 years of age.
- Banesprev - Plans I to IV - 2.0%.
- Banesprev - Supplementary pension plan and other plans - 0%.
- Sanprev - null.
- Holandaprevi segregated by age according to the rates below, by minimum wage (MW) cohorts: up to 10 MWs – 10% to 9%; from 10 MWs up to 20 MWs – 9% to 8%; and above 20 MWs - 8% to 7%. (2008, MWs: up to 10MWs - from 10% to 7%; from 10MWs up to 20MWs - from 9% to 6%; and above 20MWs - from 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).
- Previban and Sanprev have null turnover table, as they do not have active participants.
- Probability of retirement: 100% on the first eligibility event.

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.

	2009	2008
Reconciliation of Assets and Liabilities		
Present Value of Actuarial Obligations	3,595,279	2,413,184
Fair Value of Plan Assets	(3,581,040)	(2,803,139)
Adjustments for Allowed Deferrals:		
Unrecognized Actuarial Losses	(329,510)	-
Unrecognized Actuarial Gains	-	223,864
Net Actuarial Asset (Liability), December 31	**(315,271)**	**(166,091)**
Payments Made	37,496	37,113
Expenses Recorded	-	14,184
Actual Return on Plan Assets	898,748	131,143

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 (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 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 10 years or more (closed group). With the merger of Banco Sudameris Brasil S.A., later merger of Banco Real, Banco Santander became responsible for ensuring the benefit.

c.6) 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 subsidizes 45% of the total premium (closed group).

c.7) 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.

c.8) 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.

2009	Holandaprevi	Retiree by Circulars	Life Insurance
Reconciliation of Assets and Liabilities			
Present Value of Actuarial Obligations	3,924	74,198	3,046
Adjustments for Allowed Deferrals (Not recognized):			
Unrecognized Actuarial Losses	(148)	-	(64)
Unrecognized Actuarial Gains	-	11,762	-
Net Actuarial Liability as of December 31, 2009	**3,776**	**85,960**	**2,982**
Payments Made	(558)	(1,708)	(409)
Expenses Recorded	-	7,380	657

2009	Plasass	Bandeprev	Lifetime Officers	Free Clinic
Reconciliation of Assets and Liabilities				
Present Value of Actuarial Obligations	4,291	74,871	2,713	107,236
Fair Value of Plan Assets	(102,410)	-	-	-
Adjustments for Allowed Deferrals				
Unrecognized Actuarial Losses	-	-	(115)	(4,987)
Unrecognized Actuarial Gains	10,933	29,271	-	-
Net Actuarial Asset at December 31, 2009	**(87,186)**	**-**	**-**	**-**
Net Actuarial Liability at December 31, 2009	**(87,186)**	**104,142**	**2,598**	**102,249**
Payments Made	-	(3,178)	(210)	-
Expenses Recorded	-	10,609	-	11,158
Actual Return on Plan Assets	10,634	-	-	-

2008	Holandaprevi	Retiree by Circulars	Life Insurance
Reconciliation of Assets and Liabilities			
Present Value of Actuarial Obligations	3,613	75,016	3,402
Adjustments for Allowed Deferrals (Not recognized):			
Unrecognized Actuarial Losses	-	-	(668)
Unrecognized Actuarial Gains	1,963	5,272	-
Net Actuarial Liability as of December 31, 2008	**5,576**	**80,288**	**2,734**
Payments Made	(337)	(717)	(127)
Expenses Recorded	73	2,385	98
Actual Return on Plan Assets	-	-	-

	Plasass	Bandeprev	Lifetime Officers	Free Clinic
				2008
Reconciliation of Assets and Liabilities				
Present Value of Actuarial Obligations	2,999	101,676	2,343	109,242
Fair Value of Plan Assets	(91,938)	-	-	(2,492)
Adjustments for Allowed Deferrals (Not recognized):				
Unrecognized Actuarial Losses	-	(4,965)	-	(15,658)
Unrecognized Actuarial Gains	12,394	-	899	-
Net Actuarial Asset at December 31, 2008	**(76,545)**	**-**	**-**	**-**
Net Actuarial Liability as of December 31, 2008	**-**	**96,711**	**3,242**	**91,092**
Payments Made	-	(998)	(78)	-
Expenses Recorded	-	3,606	99	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

(ii) Long-term incentive policy

he 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 Santander Group 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.

Among the plans of Banco Santander Spain, 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 (Plan I09) and the other cycles lasting three years, on average (Plan I10 and Plan 011).

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).

	Number of Shares	Euros Exercise Price	Date of Commencement of Exercise Period	Date of Expiry of Exercise Period
Plans Outstanding at 31 December 2006	**6,032,700**	**9,09**	**15-Jan-08**	**15-Jan-09**
Options Granted (Plan I09)	834,332	-	23-Jun-07	31-Jul-09
Options Granted (Plan I10)	1,243,355	-	23-Jun-07	31-Jul-10
Options Cancelled, net (Plan I06)	(113,700)	9,09	15-Jan-08	15-Jan-09
Plans Outstanding at 31 December 2007	**7,996,687**			
Options Exercised (Plan I06)	(4,657,550)	9,09	15-Jan-08	15-Jan-09
Options Granted (Plan I11)	2,311,231	-	15-Jan-08	31-Jul-11
Plans Outstanding at 31 December 2008	**5,650,368**	**-**		
Options Cancelled (Plan I06)	(1,261,450)	-	15-Jan-08	15-Jan-09
Exercised Options (Plan I09)	(681,767)	-	23-Jun-07	31-Jul-09
Cancelled Options (Plan I06)	(152,565)	-	23-Jun-07	31-Jul-09
Options Granted (Plan I12)	455,008	-	01-Jul-09	31-Jul-12
Plans Outstanding at 31 December 2009	**4,009,594**			
Plans Outstanding at 31 December 2009				
Plan I10	1,243,355		23-Jun-07	31-Jul-10
Plan I11	2,311,231		15-Jan-08	31-Jul-11
Plan I12	455,008		01-Jul-09	31-Jul-12
Total	**4,009,594**			

Daily pro rata expenses were recorded in the amount of R$18,563 (2008 - R$19,446) in the Bank and R$19,893 (2008 - R$19,646) in the Consolidated, referring to initial costs in respective granting dates for each cycle above mentioned.

36. Risk Management Structure

Santander operates according to global policies, classified based on the risk appetite of the Santander Group 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 regulations and good international practices, to hedge capital and ensure the profitability of business. When conducting its business, Santander is mainly exposed to the following risks:

- Credit risk is the possibility of loss stemming from the total or partial failure of customers or counterparties to meet their financial obligations to the Bank. The objective of credit risk management is to provide insights to define strategies and set limits, covering the analysis of exposures and trends, as well as the efficiency of the credit policy.
- Market risk is the exposure to risk factors such as interest rates, foreign exchange rates, commodity prices, equity prices, and other amounts depending on the type of product, transaction volume, contract terms and conditions, and underlying volatility. Market risk management uses practices that include measuring and monitoring 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 portfolio positions in the different marketplaces where the Bank operate.
- Operational risk is the risk of loss resulting from inadequate or failed human resources, processes or systems, or any other adverse market situations. The objective of operational risk management and control is to ensure the internal control system efficiency, prevent, mitigate and reduce risk events and losses.
- Compliance risk is the exposure to legal or regulatory sanctions, material financial loss, or damages to the Bank reputation as a result of failure to comply with relevant laws, regulations, principles and rules, standards and codes of conduct. Compliance risk management has a proactive focus on this risk, including monitoring, education, and communication.
- Reputational risk is the exposure arising from negative public opinion, irrespective of whether this opinion is based on facts or merely on public perception. Reputational risk is managed through the involvement of the right business owner with the right clients.

Risk management is based on the following principles:

- Independence of the risk function from the business areas;
- Support for business in achieving commercial goals by maintaining the independence of the Risk Vice President's Division. The organizational structure that manages risk is adapted to the commercial structure and ensures business and risk managers cooperate;
- Collective decision-making (including at the branch level), which ensures a variety of opinions are heard and results not based on decisions made solely by individuals;
- Use of tools for internal rating and scoring, such as return on risk-adjusted capital (RORAC), Value at Risk (VaR), economic capital, analysis of extreme scenarios, etc.;
- Global focus through an integral treatment of all risk factors in all business units, and the utilization of economic capital as a homogeneous metric for the risk exposure and the basis for measuring management; and
- Set and achieve medium-low risk profiles as a target, and maintain their low volatility and predictable nature through: (i) a high degree of risk diversification by limiting concentrations in customers, groups, industries, products and geographies; (ii) reducing the degree of complexity in market activity, and (iii) continuous tracking of risks to prevent possible deterioration of portfolios.
- Analyzing the social and environmental risks of businesses and projects financed by the Bank.

Corporate Governance of the Risk Function

The risk committee framework of Santander Brazil is set based on corporate risk standards and have the following responsibilities set out in weekly meetings:

- Ensure to the Bank's management that local policies are implemented and followed consistently with existing corporate standards;
- Authorize the local management tools and risk models, as well as be familiar with the results of the internal validation;
- Ensure that Santander Brasil's actions are consistent with the risk tolerance level previously decided by the Santander Group in Spain;
- Know, assess and monitor the observations and recommendations periodically formulated by the supervisory authorities in discharging their functions;
- Resolve transactions that are beyond the powers delegated to lower management bodies, as well as the global limits of preclassification of corporate groups or in relation to exposures by classes of risk.

The Executive Risk Committee delegates some of its powers to the risk committees, which are structured by business line and type and class of risk. The risk function at the Santander Brasil is performed through an Executive Risk Unit, which is independent from the business areas from both a hierarchical and a functional standpoint, and reports directly to the CEO of Santander Brasil and the Chief Risk Officer of the Santander Group in Spain.

The Executive Risk Unit is divided into:

- A control and methodology structure, which adapts the risk policies, methodologies and control systems. This structure consists of several units organized by type of risk (solvency risk,market risk, and methodology).
- A business structure focused on the performance and the integration of the risk management function in the Santander Brasil´s retail, corporate and Global Wholesale Bank businesses, credit recovery, and social and environmental risks. Additionally, there is the Governance and Regulation Unit, which guarantees the Risk Management role is being successfully done and the adequacy of the regulatory framework.

Credit Risk Management

Santander develop Credit Risk Management policies and strategies based on processes conducted by several functions with the power to set operating limits, and reduce and control risk.

As mentioned, the functions responsible for credit risk management allow for an appropriate validation of the internal systems and procedures used in credit risk management. These systems and procedures are applied to the identification, measurement, control, and mitigation of exposure to credit risk, by individual transaction or aggregate of similar transactions.

The specialization of risk function is organized on the basis of the type of customer to distinguish between customers under individualized management and standardized customers.

- Customers under individualized management: includes wholesale banking customers, financial institutions, and certain companies. Risk management is conducted by an expert risk analyst, basically on account of the risk assumed, backed up by tools to support decision-making based on internal risk assessment models.
- Standardized customers: include individuals and companies not classified as individual customers. Management of these risks is based on automated decision-making and internal risk assessment models, backed up, when the model is not comprehensive or accurate enough, by teams of analysts specialized in each type of risk.

Collection of documentation and information necessary for a comprehensive analysis of the risk involved, the identification of the decision-maker, the counterparty, the risk involved in the transactions, the classification of the risk level into different categories, credit granting, periodic assessments of risk levels; these procedures are applied by the Bank to determine the volumes of guarantees and allowances necessary so that lending transactions are conducted according to existing standards and with the necessary security. Policies, systems and procedures used are reassessed annually to ensure they are consistent with the risk management requirements and current market scenarios.

The profile of the credit risk assumed by us is typified by customer diversification and the large volume of retail transactions. Macroeconomic aspects and market conditions, as well as industry and geographical concentration, customer profiling, and economic prospects are also assessed and considered for the appropriate measurement of the credit risk.

a) Rating Models

Santander use own internal rating models to measure a customer's or a transaction's credit quality. Each rating corresponds to a certain probability of default or nonpayment determined from the historical experience of the institution, except for some portfolios typified as low default portfolios. The Bank have around 50 internal rating models for risk admission and monitoring.

Lending transactions are classified into different categories, according to economic and financial situation criteria and other registry information, actual decrease in transaction risk, and delays in compliance of contractual financial obligations. New types of transactions are submitted to credit risk assessment and in terms of compliance with the controls adopted by the Bank.

The ratings awarded to customers are periodically reviewed, incorporating new financial information and experiences in the development of the banking relation. The frequency of the reviews increases in the case of customers who reach certain levels in the automated warning systems and in those classified as "special watch". Santander's proprietary rating tools are also reviewed so that their accuracy can be fine-tuned.

b) Losses and Credit Cost

Santander prepare loss estimates related to the credit risk and periodically conduct the comparison of actual losses with previously estimates. Previous and periodic analyses are made to keep control over up-to-date credit risk and create exceptions or renegotiate certain transactions, and it is also possible to increase guarantee required when necessary.

In addition to using the models, other regular measures are employed which provide prudent and effective management of credit risk based on the loss observed. Santander's cost of credit is measured by using different indicators, such as changes in nonperforming loans under recovery, allowance for loan losses, and net write-offs.

Risk management reports are made available to management to verify its alignment with the Bank's policies and strategies. It makes simulations of risk situations to assess the need to review the Bank's previously set policies and limits.

All information on the risk management structure and procedures is maintained at Santander available to Bacen.

Information on credit risk management is quarterly made available to the public, in the financial statements, to meet the information transparency criterion.

c) Credit Risk Cycle

The risk control function obtains an overall vision of the credit portfolio throughout the different risk cycle stages to supplement the management process, using a sufficient level of detail to allow assessing the current risk status and possible changes. The process begins at senior management level, through the Board of Directors and the Risk Committee, which establishes the risk policies and procedures, and the limits and delegations of powers, and approves and supervises the scope of action of the risk function.

The risk management process consists of identifying, measuring, analyzing, controlling, negotiating and making decisions on the risks incurred in the Bank's operations.

The risk cycle consists of three different stages:

(i) Presale: this phase includes the risk planning and target setting processes, determination of the Bank's risk appetite, approval of new products, risk analysis and credit rating process, and limit setting;

(ii) Sale: this is the decision-making phase for both pre-classified and specific transactions; and

(iii) Post-sale: this phase comprises the risk monitoring, measurement and control processes and the recovery process.

Risk Limit Planning and Setting

Risk limit setting is a dynamic process that identifies the Bank's risk appetite by assessing business proposals and the attitude to risk. This process is defined in the global risk limit plan, an agreed-upon comprehensive document for the integrated management of the balance sheet and the inherent risks, which establishes risk appetite on the basis of the various factors involved.

The risk limits are founded on two basic structures: customers/segments and products.

For individualized risks, customers represent the most basic level, for which individual limits are established (pre-classification).

For large corporate groups a pre-classification model, based on an economic capital measurement and monitoring system, is used. As regards the corporate segment, a simplified pre-classification model is applied for customers meeting certain requirements (thorough knowledge, rating, etc.).

In the case of standardized risks, the risk limits are planned and set using the credit management programs (PGC), a document agreed upon by the business areas and the risk units and approved by the risk committee or its delegated committees, which contains the expected results of transactions in terms of risk and return, as well as the limits applicable to the activity and the related risk management.

Risk Analysis

Risk analysis is a prerequisite for the approval of loans to customers by the Bank. This analysis consists of examining the counterparty's ability to meet its contractual obligations to the Bank, which involves analyzing the customer's credit quality, its risk transactions, its solvency and the return to be obtained in view of the risk assumed.

The risk analysis is conducted with a pre-established frequency or every time a new customer or transaction arises. Additionally, the credit rating is examined and reviewed whenever a warning system is triggered or an event affecting the counterparty/transaction occurs

Transaction Decision-making

The purpose of the transaction decision-making process is to analyze transactions and adopt resolutions thereon, taking into account the risk appetite and any transaction elements that are important in achieving a balance between risk and return.

The Bank uses, but not limited to, the RORAC (return on risk-adjusted capital) methodology for risk analysis and pricing in the decision-making process on transactions and deals.

Risk Monitoring and Control

In addition to the tasks performed by the Internal Audit Division, the Executive Risk Unit has a specific risk monitoring function for adequate credit quality control, which consists of local and global teams to which specific resources and persons in charge have been assigned.

This monitoring function is based on an ongoing process of permanent observation to enable early detection of any incidents that might arise in the evolution of the risk, the transactions, the customers and their environment, and the adoption of mitigating actions. The risk monitoring function is specialized by customer segment.

For this purpose a system called "special surveillance firms" (FEVE) has been designed that distinguishes four categories based on the degree of concern raised by the circumstances observed (extinguish, secure, reduce and monitor). The inclusion of a company in the FEVE system does not mean that there has been a default event, but rather that it is deemed advisable to adopt a specific policy for this company by assigning a person in charge and to set the policy implementation period. Customers classified as FEVE are reviewed at least every six months, or every three months for those classified in the most severe categories. A company is classified as FEVE as a result of the monitoring process itself, a review performed by Internal Audit, a decision made by the sales manager responsible for that company or the triggering of the automatic warning system.

The awarded rating is reviewed at least annually, but should any weakness be detected, or depending on the rating itself, more frequent reviews are performed.

For exposures to standardized customers, the key indicators are monitored in order to detect any variance in the performance of the loan portfolio with respect to the forecasts contained in the credit management programs.

d) Risk Control

Supplementing the management process, the risk control function obtains a global view of the Bank's loan portfolio, through the various phases of the risk cycle, with a level of detail sufficient to permit the assessment of the current situation of the exposure and any changes therein.

Any changes in the Bank's risk exposure are controlled on an ongoing and systematic basis against budgets, limits and benchmarks, and the impacts of these changes in certain future situations, both of an exogenous nature and those arising from strategic decisions, are assessed in order to establish measures that place the profile and amount of the loan portfolio within the parameters set by the Bank.

The risk control function is performed by assessing risks from various complementary perspectives, the main pillars being control by geographical location, business area, management model, product and process, thus facilitating the detection of specific areas warranting action and for which decisions have to be made.

e) Credit Recovery

The loan recovery process uses tools such as behavioral scoring to study the performance of collection in certain groups in an attempt to decrease costs and increase recoveries. Customers that will probably make the payment are classified as low risk and increased focus in given to maintaining a healthy relation with these customers. Customers whose payments are less than probable are classified as high risk and are regularly monitored as regard payment. All customers with past-due payments or rescheduled loans have internal restrictions.

The collection strategies are changed according to the number of days past-due. In the first days of default (less than 90 days past-due), the collection department deploys a more intensified collection model, creating different strategies, with closer monitoring. The tools used during this stage are call centers, collection letters, and the branch network for the purpose of recovering the customers. However, if a customer is more than 90 days past due, the focus is aimed at the recovery of cash owed by outsourcing the collection efforts with outside agencies, which are paid a commission on any recovered amounts.

f) Other Information

(i) The management, monitoring and control of the regulatory capital under the Basel II Standardized Approach is based on the follow-up of the adequacy of regulatory capital with the assumed credit risk.

(ii) The terms and conditions and the features of financial assets sale or transfer transactions are analyzed so that their assessment and classification are consistent with the substantial retention of risks and rewards.

(iii) The annual report, available at www.santander.com. br, contains a more detailed description of the control structure, methodologies and systems.

37. Supplementary Information -Reconciliation of the Bank's Shareholders' Equity and Net Income

		2009	2008
Shareholders' equity attributed to the parent under Brazilian GAAP		**64,492,693**	**48,756,557**
IFRS adjustments, net of taxes:			
Pension discount rate	e	(174,218)	(179,343)
Classification of financial instruments at			
fair value through profit or loss	f	19,440	43,675
Redesignation of financial instruments			
to available-for-sale	a	555,104	552,854
Impairment on loans and receivables	b	960	(234,300)
Accounting under equity method	c	(15,078)	(5,970)
Deferral of financial fees, commissions and inherent costs			
under effective interest rate method	g	217,205	174,116
Reversal of goodwill amortization and others	h	3,424,772	376,766
Mark to market of foreign currency forward	i	(30,186)	(11,069)
Impairment of other financial assets	j	31,773	32,200
Impairment losses on non financial assets	d	17,439	1,542
Realization on purchase price adjustments	k	727,101	315,992
Other		(1,601)	8,179
Shareholders' equity attributed to the parent under IFRS		**69,265,405**	**49,831,199**
Minority interest under IFRS		1,338	5,279
Shareholders' equity (including minority interest) under IFRS		**69,266,743**	**49,836,478**

		2009	2008
Net income attributed to the parent under Brazilian GAAP		**1,805,899**	**1,580,613**
IFRS adjustments, net of taxes:			
Pension discount rate	e	5,125	6,966
Classification of financial instruments at			
fair value through profit or loss	f	(6,687)	34,015
Redesignation of financial instruments			
to available-for-sale	a	(15,243)	49,260
Impairment on loans and receivables	c	-	(16,897)
Accounting under equity method			
Deferral of financial fees, commissions and inherent costs	g	43,089	(39,716)
under effective interest rate method	h	3,030,122	376,766
Reversal of goodwill amortization and others	b	235,260	27,720
Mark to market of foreign currency forward	i	(19,117)	(11,069)
Impairment of other financial assets	j	(427)	32,200
Impairment losses on non financial assets	d	15,897	13,332
Realization on purchase price adjustments	k	411,109	315,992
Other		2,579	9,213
Net income attributed to the parent under IFRS		**5,507,606**	**2,378,395**
Minority interest under IFRS		358	231
Net income (including minority interest) under IFRS		**5,507,964**	**2,378,626**

a) Redesignation of financial instruments to available-for-sale

Under BR GAAP, the Bank accounts for certain investments in debt securities at amortized cost and equity instruments at cost. Under IFRS, the Bank has classified these investments as available-for-sale, measuring them at fair value with the changes recognized in other comprehensive income, under the scope of IAS 39 "Financial Instruments: Recognition and Measurement"

b) Impairment on loans and receivables

Under IFRS, based on the guidance provided by IAS 39 "Financial Instruments: Recognition and Measurement", the Bank estimates the allowance for loan losses based on historical experience of impairment and other circumstances known at the time of assessment, as further discussed in Note 5.b.. Such criteria differs in certain aspects, to the criteria adopted under BR GAAP (*), which uses certain regulatory limits defined by the BACEN for purposes of allowance for loan losses calculation.

c) Accounting under equity method

Under Brazilian GAAP, investments in certain associates are accounted for at cost, as they do not meet the criteria, under these accounting principles, to be accounted for using the equity method. Such criteria include total ownership of at least 10% and the relevance of the investment in the associate in relation to the investor's total equity. Under IFRS, in accordance with IAS 28 "Investments in Associates", an investment in an associate which the investor has significant influence, even if less than 20% of ownership, is accounted for using the equity method of accounting. In accordance to Resolution CMN No. 3.619, BR GAAP has been amended to converge with the guidance provided by IAS 28.

d) Impairment losses on non financial assets

Under BR GAAP, impairment losses on certain tangible assets relating to the Bank's branches were recognized during the year ended December 31, 2008 as a result of the adoption of CPC 01, "Reduction in the Recoverable Value of Assets." CPC 01 changed the methodology used in BR GAAP to converge to IFRS (IAS No. 36, "Impairment of Assets."). Prior to the issuance of CPC 01, the Bank grouped together certain branch assets when evaluating for recoverability. Under IFRS, the Bank evaluates these assets for impairment at the level of each individual branch, in which for the Bank represents a cash generating unit in accordance with IAS 36 "Impairment of Assets".

e) Pension plan discount rate

Under BR GAAP, the discount rate used for benefit obligations reflects the nominal interest rate. Under IFRS, in accordance with IAS 19 "Employee Benefits", the rate used to discount post-employment benefit obligations was determined by reference to market yields at the end of the reporting period on high quality bonds.

f) Classification of financial instruments at fair value through profit or loss

Under BR GAAP, all loans and receivables and deposits are accounted for at amortized cost. Under IFRS, the Bank designated certain loans and receivables and deposits as "fair value thought profit or loss", in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The Bank has selected such classification basis as it eliminates an accounting mismatch in the recognition of income and expenses.

g) Deferral of financial fees, commissions and inherent costs under effective interest rate method

Under IFRS, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", financial fees, commissions and inherent costs that are integral part of effective interest rate of financial instruments measured at amortized cost are recognized in profit or loss over the term of the corresponding contracts. Under BRGAAP these fees and expenses are recognized directly at income when received or paid.

(*) Accounting standard adopted by the BACEN and CVM.

h) Reversal of goodwill amortization and others

Under BR GAAP, goodwill is amortized systematically over a period of up to 10 years and the goodwill recorded is measured annually or whenever there is any indication that the asset may be impaired. Under IFRS, in accordance with IAS 38 "Intangible Assets", goodwill is not amortized, but instead, is tested for impairment, at least annually, and whenever there is an indication that the goodwill may be impaired; by comparing its recoverable amount with its carrying amount.

i) Mark to Market of Foreign Currency Forward

Under IFRS, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", foreign currency forward contracts are derivatives that are recorded at fair value. Under BR GAAP, these contracts are recorded at amortized cost.

j) Impairment of other financial assets

Under IFRS, the Bank estimated the impact of accounting for allowance other assets, which is different, in certain aspects, to the criteria adopted under BR GAAP

k) Realization on purchase price adjustments

As part of the purchase price allocation, following the requirements of IFRS 3, the Bank has revalued its assets and liabilities to fair value, including identifiable intangible assets with finite lives. Under BR GAAP, in a business combination, the assets and liabilities are not remeasured to their related fair values. Therefore, this adjustment relates to the following items:

The amortization related to the step up in the value of assets in the loan portfolio in relation to its book value:

As the value of the loans were adjusted to fair value, this causes an adjustment to the yield curve of the related loans in comparison to its nominal value, which is offset pro-rata with this adjustment.

The amortization of the identified intangible assets with finite lives over their estimated useful lives (over 10 years)

38. Other Information

a) The co-obligations and risks on guarantees provided on behalf of customers, recorded in memorandum accounts, amounted to R$20,967,370 in the Bank and Consolidated (2008 R$17,331,203 in the Bank and R$25,513,294 in the Consolidated).

b) Total shareholders' equity of investment funds managed by Santander is R$98,407,143 (2008 -R$80,402,046) and total shareholders' equity of managed investment funds is R$111,674,754 (2008 -R$90,244,821).

c) The insurance contracted by the Bank effective as of December 31, 2009, with bankers' blanket insurance, fire, vehicles and other risks coverage, amounts to R$1,349,209 in the Bank and Consolidated (2008 -R$650,667 in the Bank and R$1.419.096 in the Consolidated).

In bankers' blanket insurance, an insurance was contracted with coverage value of R$204,423 in the Bank and Consolidated (2008 -R$145,539 in the Bank and R$227,832 in the Consolidated), and may be used on a standalone basis or jointly provided that it does not exceed the contracted amount.

d) Restricted operations were as follows:

		Bank		Bank/Consolidated
		Assets (Liabilities)		Income (Expenses)
	2009	2008	2009	2008
Restricted Operations on Assets				
Lending Operations	43,209	20,636	3,144	2,057
Liabilities - Restricted Operations on Assets				
Deposits	(43,209)	(20,636)	(3,098)	(2,047)
Net Income			**46**	**10**

There are no default operations or court challenges regarding restricted operations on assets or funds raised to be used in these operations.

e) Obligation offset and settlement agreements

- CMN Resolution 3263/2005 – The Bank has an obligation offset and settlement agreement within the ambit of national financial institutions (SFN), entered into with individuals and legal entities which may or may not be members of SFN, resulting in improved assurance of financial settlement, with the parties with which it has this type of agreement. These agreements establish that payment obligations with the Bank, arising from loans and derivative transactions, in case of default of the counterparty, will be offset against payment obligations of the Bank with the counterparty.

f) Other Obligations

- The Bank rents properties, mainly used for branches, based on a standard contract which may be cancelled at its own criterion and includes the right to opt for renewals and adjustment clauses, classified as operating lease. Total future minimum payments of non-cancelable operating leases as of December 31, 2009 is R$1,077,586, of which R$314,250 matures in up to 1 year, R$686,885 from 1 year to up to 5 years and R$76,451 after 5 years. Payment of operating leases recognized as expenses for the period were R$304,366

Monthly rental contracts will be adjusted on an annual basis, as per prevailing legislation, at IGPM variation. The lessee is entitled to unilaterally rescind the agreement, at any time, without paying fines, encumbrances or penalties, through a written communication to the lesser upon 30 days prior notice, without prejudice to rent payment and charges due until then

g) Employee Benefit Plans

- The Board of Directors Meeting held on December 23, 2009, aproved and decided to submit to approval in the Extraordinary Shareholders Meeting to be held on February 3, 2010: (i) the Purchase Option Plan for Certificate of Depositary Shares ("Units"), to certain managers and managerial employees of the Bank and subsidiaries thereby, as per article 5, paragraph 4 of the Bank´s By-laws; and (ii) the Long-Term Incentive Plan -Investment in Units, the purpose of which is the payment of resources, in cash, by the Bank to certain collaborators, including managers, managerial employees and other employees of the Bank and subisidiaries thereby

39. Subsequent Events

a) Association with Getnet

On January 14, 2010, the Bank signed the contractual and by-law documents instruments with Getnet Tecnologia em Captura e Processamento de Transações Eletrônicas Hua Ltda. ("Getnet") to jointly explore, explore, develop and market transaction capture and processing services involving credit and/or debit cards in the Brazilian market. The details of this alliance and its business plan will be presented by the end of the first quarter.

b) Anticipated Redemption of Subordinate CDB

On January 22, 2010, the Bank redeemed in advance the Subordinate CDB (bank certificate of deposit), whose creditor was Banco Santander Espanha, with original maturity on March 25, 2019 and amounting to R$1,507,000, pursuant to authorization granted by the Central Bank of Brazil on January 8, 2010.

The purpose of the antecipated redemption was to improve the funding structure of the Bank, accordingly to the strategy informed in the use of proceeds of the "Final Global Offering Prospect for the Initial Public Offering of Certificates of Deposit Shares (Units) Issuance of Banco Santander (Brasil) S.A". (Note 1).

GRI Indicators

About the Report

The Santander Annual Report is a portrayal of the economic, social and environmental performance of the bank in 2009, a year in which we completed various stages of the merger with Banco Real and held the largest initial public offering ever in the country. For the first time, the publication follows the guidelines proposed by ABRASCA - Associação Brasileira das Companhias Abertas (the Brazilian Association of Publicly-Owned Companies) and those of the Global Reporting Initiative (GRI), a global benchmark for sustainability reports. We used the GRI G3 guidelines and the GRI sector supplement for the financial sector, and we believe it corresponds to application level A+. The report also contains the initiatives related to the principles of the United Nations Global Compact, in which the bank has participated since 2007.

The information and the results presented in this report encompass the companies belonging to Santander up until 2009, and the quantitative data refers to the period between 1 January and 31 December. Possible omissions due to insufficient or inconsistent collected data are cited in explanatory notes in the respective graphs and tables. As this is the first document in GRI format the bank has published in Brazil, significant alterations, limitations or improvements that might affect the comprehension of the data have not been featured.

The process for surveying indicators of sustainability for this report was based on the one used by Banco Real in 2007 and the information mapped in 2008, when we published a joint report on the activities of both Santander and Banco Real. In 2009, we created a new information matrix to meet GRI G3 and financial sector supplement requirements.

The information was collected by the CFO Sustainable Development department of the Institutional Management Reporting of the CFO Executive Vice Presidence . For this purpose, a system was developed to standardize the survey process, the reception and availability of the data and information for auditing purposes. Corporate information systems for the verification of the data were also used.

As we are dealing with an integrated reporting process involving an intensive internal learning process, the challenge was to maintain the historical consistency of the data, in order to reflect the performance of the new organization. Henceforth, we will seek opportunities for improving indicators, especially in the different areas of the financial sector. We intend to further develop our process of incorporating indicators of sustainability into our daily business management.

The structured definition of materiality is a requirement we aim to achieve in future editions. The issues that would be given priority were discussed and defined internally, in a way that mirrored the main challenges and progress of the financial market and specifically of the diffusion of sustainable practices during the process of integration with Banco Real. The gathering of information followed the journalistic pattern of interviews and the final version was approved by the internal areas. Nevertheless, we realize that the information is subject to a degree of uncertainty, as a result of limitations that still exist regarding the measurement and verification of data and forecasts. We have made a note in the respective indicators in cases where these limitations might affect the assessment of our results. Furthermore, certain indicators have not been divulged for reasons of strategy or confidentiality.

Looking to improve the process for drawing up future reports, we are aware that there is still much to do regarding the identification of opportunities for improving our stakeholders. This necessity has been included in projects to be implemented throughout 2010.

At the end of the process, all the information contained in the publication was submitted for the approval of the executive directors in charge, the members of the Executive Committee and the Investor Relations and Legal departments. Deloitte Touche Tohmatsu reviewed the reliability of this report in relation to GRI G3 indicators and their limited socioambiental assurance letter may be found on page 438.

GRI Application Level

The Santander annual report meets the requirements for GRI application level A+, in accordance with the parameters highlighted in the table below:

		C	C+	B	B+	A	A+
Report Content	Perfil da G3	Report on items: 1.1; 2.1 to 2.10; 3.1 to 3.8, 3.10 to 3.12; 4.1 to 4.4, 4.14 to 4.15;	Report externally assured	Report on all criteria listed for Level C plus: 1.2; 3.9, 3.13; 4.5 to 4.13, 4.16 to 4.17	Report externally assured	The same as requirement for Level B	Report externally assured
	G3 Management Approach Disclosures	Not Required		Information on the management approach for each indicator category		Management approach disclosures for each indicator category.	
	G3 Performance Indicators and Sector Supplement Performance Indicators	Respond to a minimum of 10 performance indicators, including at least one from each of: social, economic and environment.		Respond to a minimum of 20 performance indicators, including at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond to each core G3 and sector supplement indicator, with due regard to the materiality principle by either: reporting on the indicator or (b) explaining the reason for its omission.	

Report Application Levels

		2002 in Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared			Report Externally Assured		Report Externally Assured		Report Externally Assured A+ GRI REPORT SELF DECLARED
Optional	Third Party Checked							A+ GRI REPORT 3rd PARTY CHECKED
	GRI Checked							A+ GRI REPORT GRI CHECKED

GRI Content Index

Profile Indicators

The executive compensation policy is designed to support the strategy of the organization, and strives to ensure the following premises:

- to guarantee the interests of the shareholders and the stakeholders are aligned;
- to recognize the meritocracy and the individual contributions to the fulfillment of the objectives and business strategies established by the Board of Directors;
- to promote the good performance of the bank and to guarantee the shareholders' interests, by means of the long-term commitment of the members of the Executive Board;
- to develop the professional careers of team members; and
- to maintain the competitiveness of the company's compensation policies when compared to the main competition, aiming to retain key executives.

Always adhering to strict principles of risk management, the Santander management compensation policy has proven to be a decisive factor both in the success of the bank and in avoiding excessive risk-taking behavior.

The relationship between executive compensation and the company's performance is strategic information and consequently not published.

ENGAGEMENT OF STAKEHOLDERS

DMA MANAGEMENT APPROACH

Performance Indicators

ECONOMIC PERFORMANCE

EC1: Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.

Financial Statements, page 293.

EC2: Financial implications and other risks and opportunities for the organization's activities due to climate change.

Santander is aware of the importance of climate change in its activities and of the need for market influence and leadership on the issue for a low carbon economy. Some of the main activities carried out with this in mind are:

1. Inventory of greenhouse gas emissions – after the merger with Santander, the new organization decided to conduct the group's inventory from 2009 onward. Based on its inventories, the bank adopted a strategy for compensating part of its emissions by means of the Floresta Real project, which includes the recuperation of native forest, water recovery and income generation, as well as activities to reduce levels of the largest emitters, such as the consumption of electricity and aviation.

2. Support to groups involved with climate change – the bank sponsors GHG Protocol Brasil and Carbon Disclosure Brasil, and is also founder of Empresas pelo Clima (EPC). Empresas pelo Clima is a domestic platform designed to create the regulatory bases in the economic adaptation process, offering participants guidance and tools for practices of managing greenhouse gas emissions and sustainability in business. As from 2010, the bank has entered into a partnership with Fibria Celulose to participate in activities such as the Corredor Ecológico project.

EC3: Coverage of the obligations of the defined benefit pension plan offered by the organization.

The private pension plan Santander offers its employees is a defined contribution model and its objective is to complement retirement. The funds are raised on a joint basis between the employee and the sponsoring company.

Adhesion to the plan is optional, provided there are statutory or employment ties to the sponsoring companies.

In the case of adhesion, employees contribute between 2% and 9% of their salary and the company makes a counterpart contribution equivalent to 100% to 150% of the employee's contribution, depending on the length of time the employee has been using the plan and with no monetary limit. The plan includes benefits for cases of retirement, disability and a death pension.

Private pension plan

Contributing participants	33,812
Active participants	39,831
Users	309
Equity (R$ billion)	1,2

EC4: Significant financial support received from the government.

Santander does not receive financial support from governments. Some of the social and cultural projects we support take advantage of laws that make it possible to donate to social and cultural projects part of the amount of taxes due. In 2009, the total tax benefits used to support projects came to R$ 20,710,400.

Aspect: Market Presence

EC5: Range of ratios of the lowest wage compared to local minimum wage at significant locations of operations.

Position held	Lowest wage (R$)	National Minimum Wage (R$)	Lowest wage/ minimum national wage
Clerk	716,31*	465,00	1,54

Uses the lowest bank wage for the position of clerk.

EC6: Policies, practices and proportion of spending on locally-based suppliers at significant locations of operations.

Santander does not possess the information concerning the percentage of locally-based suppliers. Supplier management is currently focused on reducing the percentage of overdue payments.

Active Suppliers

Number of active suppliers	2.081
% of overdue payments made in 2009 *	0,65%

*in the amount field we inform the average number of overdue payments made in the

The introduction of the Orion-SAP system and the changes to the payment processes of Banco Santander in November 2008 and Banco Real in February 2009, caused the levels of late payments to rise. To minimize the impact on several suppliers, the payment processes were amended in the second semester of 2009 and it was established that 99% of payments should be made within the deadlines from October onward. The status of the payment processes has been published on a monthly basis since July 2009. Indicators began to improve in September, with overdue payments down to less than 1%.

The bank holds a series of programs and initiatives on supplier relations, focused on the alignment of values and expectations:

- Parceria de Valor (A Value-Added Partnership): a document created to serve as a guide for the relationships between the bank and its suppliers and which outlines the main guidelines for building and maintaining a partnership that adds value for all parties involved. The document was revised and re-edited in 2009 and the new version was published in December on the Santander Supplier Channel site.

- Supplier Management Activities: Santander held the event "Construindo Parceria com Fornecedores" in São Paulo which attracted leaders of the bank and 87 service managers from the main areas, totaling 101 Santander participants. The main objective of the event was to encourage managers to reflect on their role and responsibility in the creation of partnerships with suppliers. Subsequently, meetings were held with service managers to give continuity to the commitments assumed at the event. Plans of action were put into motion and divulged on the organization's collaborative network.

- Social responsibility and sustainability in suppliers' documentation: criteria related to social responsibility were included in the review of instructions manuals related to the purchase and hiring of Santander services and products, in the suppliers records, in the hiring of companies and in the purchase of materials and equipment. Suppliers should also sign a declaration of the non-employment of child or bonded labor.

- Promotion of diversity in the supply chain: In 2009, Santander began to operate some work fronts with community suppliers from Integrare, a network which seeks to promote efficient business purchases from qualified supplier companies from social groups that are traditionally discriminated against and economically underprivileged. The area of total cost management disclosed Integrare at Aquanima, a Grupo Santander company that carries out purchasing activities, identifying suppliers that have already been approved on the Grupo Santander registration database. Accredited Integrare suppliers were classified by purchase sector (e.g.: civil construction companies, marketing, technology, others), with the aim of identifying and involving the management areas in the project, targeting the future materialization of business with these companies.

EC7: Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.

Santander does not have a policy for hiring people according to their place of residence, although the selection of candidates from the location of the branches is common practice.

Aspect: Indirect Economic Impacts

EC8: Development and impact of infrastructure investments and services provided primarily for public benefit, through commercial, in-kind or pro bono engagement.

The integration of the social investment practices in 2009 focused on capitalizing the best of both banks by potentializing the outcomes of the initiatives and strengthening public polices by building alliances with governments, businesses and NGOs. The key investments made for the public benefit during the year totalized R$ 88,842,000.

External social investment	Value (in thousands of R$)
Fight against hunger and food safety	8
Culture *	28,627
Child and Youth Rights	6,470
Education	37,804
Sports	2,500
Income Generation	1,487
Other	4,308
Health and sanitation	251
Valuing of diversity	7,387
Total external social investment	88,842
% external social investment over net interest income	0.36

*Of the total value, R$ 3,277.2 thousands correspond to media investment for the Christmas project.

Social Performance Indicators

Aspect: Community

S01: Natureza, escopo e eficácia de quaisquer programas e práticas para avaliar e gerir os impactos das operações nas comunidades

In 2009 Santander reinforced its commitment with education not only in the communities where the bank operates, but also where social indicators indicate that an effective change is required. The bank understands that doing things together means engaging employees to take action for a cause and encouraging volunteer work. By doing so, everybody wins: individuals putting citizenship into practice become employees aware of the different audiences and take social and environmental aspects into consideration in their everyday work, eventually building an organizational culture focused on sustainability.

Volunteers for the improvement of public education

The *Projeto Escola Brasil* (the PEB) was selected in 2009 as the corporate volunteer program by Santander. Through the volunteer action of employees, family members, customers and partners, the PEB contributes for the improvement of public education by strengthening the school ties with the community it belongs. 2,028 employees carried out voluntary work in 2009.

The PEB volunteers carry out activities that contribute to the improvement of infrastructure, of the management or the school's educational system, developing initiatives focused on: sport and recreation, art and culture, entrepreneurship and income generation, environment and diversity.

The activities are developed by the volunteer groups together with the partner school, and focus on themes considered as priorities by the school community. We use the tool Indicators of Quality in Education (IQE), which ensures a collective diagnosis of the quality of the school, and priority activities are defined based on the results.

Espaço de Práticas em Sustentabilidade

The *Espaço de Práticas em Sustentabilidade* is a program designed for sharing information with customers, suppliers and society, and is composed of several face-to-face events and a website – available at www.santander.com.br/sustentabilidade and www.bancoreal.com.br/sustentabilidade. The meetings focus on the exchange of experiences and include lectures, workshops and technical visits to sustainable enterprises, among other activities. The online channel provides basic and detailed information, such as concepts, courses and cases for those who are interested in deepening their knowledge. The numbers for the program in 2009:

Espaço de Práticas em Sustentabilidade - 2009

Face-to-face	
Sustainability Events	486 people
Sustainability workshop	464 people
Institutional lectures	198 people
Visit to the Granja Viana branch	76 people

Online	
Access to the website	1.4 million
Online Sustainability Course *	13,017 registrations
Sustainability Events	522 people

* The number refers to the following online courses: Human Rights, Diversity, Sustainable Construction, The Child and Adolescent Protection Act, the Elderly Protection Act, Private Social Investment and Sustainability.

For children from 5 to 12 years old, Santander can offer the website Brincando na Rede (Playing on the Network), a collective entertainment channel aimed at education and focused on creativity, the imagination and logical reasoning. The principle of the website is the concept of the virtual community and visitors help create the content, which is focused on shaping individuals for a future society, stimulating their potential ideas on everyday themes including sustainability and financial education.

Brincando na rede	2009
Total registrations	367,289
Total participations	123,984
Total visits	1,2 million

Other projects developed by the bank in 2009:

External social investment - projects	Amount (in thousands of R$)
Fight against hunger and food safety	8
Culture *	28,627
Child and Youth Rights	6,470
Education	37,804
Sports	2,500
Income Generation	1,487
Other	4,308
Health and Sanitation	251
Valuing of diversity	7387
Total external social investment	88,842
% external social investment over net interest income	0,36

*Of the total amount, R$ 3,277.2 thousands correspond to media investment for the Christmas project.

Programs / Projects

Category	Programs/Projects	Year started	2009 (in R$ thousands) Bank investment	Tax benefit	Media	Objectives
Education	Escola Brasil project (PEB - Projeto Escola Brasil)	1998	890			Santander corporate volunteer program. The objective of the PEB is to contribute to improving public schooling by means of voluntary activities carried out by employees, family members, customers and others, strengthening relations with the local community.
Education	The Educar para a Igual-dade Racial award	2003	300			The award identifies and rewards teachers, public and/or private schools that develop pedagogic practices/projects promoting ethno-racial relations in the kindergarten and primary education categories.
Child and Youth rights	Amigo de Valor Program	2002	1.298	3.009	1.154	The program enables employees, customers and suppliers of Santander to allocate part of their income tax to Funds for the Rights of Children and Adolescents. Another objective of the program is to the reinforce the role of the Advisory Councils in their work on behalf of children and young people. It is the integration of the Amigo Real and IR Solidário programs.
Entrepreneurship and generation of income	Parceiros em Ação Program	2005	532			The objective of the Parceiros em Ação Program is to encourage the implementation of social support projects for microentrepreneurs and community groups engaged in business activities created and led by women in low-income areas.
Entrepreneurship and generation of income	Banco Real Universidade Solidária contest	1995	896			The contest mobilizes universities and communities and organizes the engagement of students and university profes-sors in the implementation of social projects in low-income communities throughout the country. Based on academic knowledge and the extensionist practice of Brazilian universities, the activities result in the generation of income and sustainable development and encourage entrepreneurship, in addition to increasing the social commitment of the future professionals.
Entrepreneurship and generation of income	Investimento Reciclável program	2007	60			A social alliance between Santander, Suzano, Fundação AVINA and Instituto Ecofuturo, the objective of which is to promote the inclusion of cooperatives and associations of recyclable material in the formal productive and financial system, contributing to its sustainability and improving the quality of life of the waste pickers.
Valuing diversity	Virtual Vision	2004	172			Santander donates the software product Virtual Vision - a screen reader that enables the visually impaired to use computers - to visually impaired customers and non-customers and social institutions. Virtual Vision enables visually impaired people to use the Internet and the main features of Windows.
Culture	Redescobrindo o Centro de São Paulo e a Avenida Paulista (Rediscovering São Paulo Downtown and Paulista avenue)	2003	140			Visits to historic landmarks in downtown São Paulo and on the Avenida Paulista. Broadens the cultural horizon of children and young people through the appreciation and conservation of historic buildings in São Paulo, making them relate to the city they live in.
Culture	Instituto Santander Cultural (Porto Alegre) - (Santander Cultural Institute)	2001	1.480	400		Development of the activities of the Instituto Santander Cultural, a non-profit NGO opened to the public in August 2001, whose mission it is to play a communicative, integrating and educative role.
Culture	Instituto Cultural Banco Real (Recife) (Banco Real Cultural Institute)	2000	414	592		To promote the work of cultural artists in Pernambuco and of new domestic curators, through the following exhibitions "A Arte do Barro e o Olhar da Arte", "Céu de Pernambuco na terra dos maracatus - Café", "X Exposição de Artes do IMIP (Instituto Materno Infantil de PE)" and "Exposição Kilian Glasner - a ambição do desenho".
Culture	Christmas	2000	4.029	1.200	3.464	A set of initiatives developed for the community to celebrate Christmas and to disseminate the brand value of the Group. One of the highlights of this initiative are the choir presentations in seven Brazilian state capitals over the Christmas period, promoting erudite and popular music.
Valuing Diversity	Talentos da Maturidade Contest	1999	3.560	0	3.241	To encourage the elderly to take a leading role, placing importance on their talent (or life experience) and motivating them to be socially active by means of the creation of relationship networks that integrate and inspire people over 60 years of age to be transforming agents in the creation of a better society.
Health and Sanitation	Yoga pela Paz	2008	248	0	0	To encourage the practice of yoga with the aim of contributing to a peaceful and more equal society.
Others	AfroReggae	2009	2.000	0	508	To collaborate with the non-governmental organization that offers socio-cultural activities to young shanty-town dwellers as a way of increasing self-esteem, contributing to the formation of their citizenship and thereby keeping them away from violence, drug-trafficking and underemployment.

Audience benefitted	Results 2009	Partners
Children and young people. Public schools in Brazil	2,028 volunteers organized in 208 groups, working in 170 partner schools throughout the country. 143 teachers participated in the training programs offered by PEB in 2009.	Instituto Escola Brasil Public schools
Primary and secondary education teachers and educators	4 educators and 4 teachers were awarded prizes in the 4th edition. The projects were monitored in 2009.	CEERT – Centro de Estudos das Relações do Trabalho e Desigualdade
Children and young people from municipalities with critical Childhood Development and Social Exclusion indexes. City Funds for the Rights of Children and Adolescents.	Amount raised R$ 6,921 thousands, contributing with 31 projects supported by Amigo de Valor - 23,669 Banco Santander employees participated raising R$ 3,299 thousands - 1,746 customers, suppliers and partners of Banco Santander raised R$ 541 thousands - Grupo Santander Brasil companies collected R$ 3,008 thousands	City Funds for the Rights of Children and Adolescents Institutional support of UNICEF
Groups engaged in business activities created and led by women in low-income areas.	5 projects were selected, each one awarded the sum of R$ 40 thousands plus training. The projects will be implemented throughout 2010.	Aliança Empreendedora
Univerisities University students Communities served	10 projects selected for support in 2010. The 10 ongoing projects from 2009 were benefitted.	Universidade Solidária
Members of the cooperatives and associations benefitted	Participation of 6 cooperatives and associations in the second edition of the program, directly benefitting 532 members.	Instituto Ecofuturo, Fundação Avina and Cia. Suzano de Papel e Celulose
Customers, non-customers, the visually impaired and non-profit making organizations that work with this audience.	673 screen readers have been donated	Micropower
Children served by partner social entities of Fundação Abrinq and schools of the boroughs of Sé and Santo Amaro.	A total of around 4,350 children took the tours around downtown São Paulo and the Avenida Paulista in 2009.	Associação Comercial de São Paulo, Projeto Escola Brasil, Santo Amaro Borough, Sé Borough and Fundação Abrinq.
General public	Was visited by 210,000 people in all its areas of activity. The highlight was the visual arts sector, visited by 144,000 people. The Ouvindo Música Project put on 31 shows in 2009, involving 5,800 participants. Educational activities such as training workshops, individual teacher development, guided visits and atelier activities mobilized more than 22,000 people in 2009.	Câmara do Livro / 54th Porto Alegre Book Fair/ Instituto Brasil Leitor / Trensurb / Ministério das Cidades / Ativa / Grupo Bandeirantes de Comunicação? Mercosul Biennial Foundation / Rede Bandeirantes de Comunicação / Fleda (Czech Republic) / Molotov / Invasão Sueca / TVE / Rádio FM Cultura / Brasileirinho / Fundação Bienal do Mercosul/ Norsk Kulturrad Arts Council Norway / Música Minas project / Rede Bandeirantes de Comunicação / Fleda (Czech Republic) / Molotov / Invasão Sueca / TVE / Rádio FM Cultura / Brasileirinho / Fundação Bienal do Mercosul / Norsk Kulturrad Arts Council Norway / Projeto Música Minas / 55th Book Fair / ACCIRS / Aecid / Alliance Française / APTC-RS / Câmara do Livro / Cineclube Leda Beck / Cinemateca Catarinense / Film Library of the French Embassy / Colateral Filmes / CTAV / França Br 2009 / Funcine /Fundação Joaquim Nabuco / Goethe / Ministry of Culture / Ministry of Culture of Porto Alegre / Câmara do Livro / 55th Book Fair / Associação de Artes Plásticas Chico Lisboa / Cultural Service of the French Embassy in Brazil / Pinacoteca do Instituto de Artes da UFRGS / Atelier Livre / Department of Culture of Porto Alegre / Unesco / Aecid / Cultural Center of Spain / Procempa / Fundação Bienal do Mercosul / ESPM-RS, Porto Alegre City Council, APTC
Local community, tourists, opinion leadres bank customers.	These exhibitions received more than 31,000 visitors.	Fundação Pierre Verger/ Ministry of Culture/ Expomus / Arte e Cultura / Pernambuco State Government, Minc, FJN, MHN e MEPE / Ministry of Culture / Instituto de Medicina Integral Materno Infantil Professor Fernando Figueira, Fundação Alice Figueira, Imago Escritório de Arte
General public	Around 15,000 people attended the inauguration of the São Paulo Christmas tree; the project site registered 20,000 visits in a month and 265 articles on the project were published in the press.	São Paulo City Council / SP Turis
People over 60 years of age.	In 2009, the program mobilized more than 3,600 Santander and Banco Real service centers and totaled 11,150 enrollments, a 10% increase over 2008.	-
General public	20,000 people participated in the event´s activities.	Ciymam
Communities where AfroReggae is present in Rio de Janeiro.	Promotion of events within the community, participation of group members in lectures and hiring of Complexo do Alemão residents to work as microcredit agents.	-

Support/Sponsorships

Category	Project	Partners
Child and Youth rights	Selo Empresa Amiga da Criança	Fundação Abrinq
Child and Youth rights	Fundo da Infância e do Adolescente	Barretos City Council
Child and Youth rights	Fundo da Infância e do Adolescente	São Paulo City Council
Culture	Colaboração para Restauração	Cultura Artística Theater
Culture	Institutional Support	Israel Philharmonic Orchestra
Culture	Institutional Support	Celina Queiróz / Unifor Theater.
Culture	Institutional Support	Museu de Artes e Ofícios/ MG
Culture	Institutional Support	MAM - São Paulo
Culture	AntiGravity	Musika Produções Artísticas e Culturais and Branco Produções
Culture	Mostra FILE PAI	File / Sesi
Culture	FILE PRIX LUX	File / Sesi / Oi Futuro
Culture	III Bienal Brasileira de Design	Arte 3 / Centro de Design Paraná
Culture	Biblioteca Brasiliana USP	University of São Paulo
Culture	Museu Para Todos	Pinacoteca do Estado de São Paulo
Culture	Projeto Octógono	Pinacoteca do Estado de São Paulo
Culture	Mostra Transfer	Arte 3
Culture	O Verão do Morro	Inffinito Produções Morro da Urca Entretenimento Girassol Comunicação
Culture	Play: A Natureza do Olhar and Play: Parem de Falar Mal da Rotina	Elisa Lucinda Poesia Viva
Culture	Santander Cultural Instrumental	Branco Produções
Culture	POA Festival of Photography	Brasil Imagem - Produção Cultural em Fotografia Alice - Agência Livre para Informação, Cidadania e Educação Funarte - National Art Foundation Ministry of Culture
Culture	Mostra Voom	Petrobras, Porto Alegre City Council, Braskem, Multiplan/Barra Shopping Sul, Panvel Farmácias, Caixa Econômica Federal
Culture	Film "Trabalhar Cansa"	Dezenove Som e Imagens Produções
Culture	Film "Mundo Invisível"	Mostra Internacional de Cinema
Culture	Film "Filme de Estrada"	Bananeira Filmes / Mondo Cane Filmes
Culture	Theater Performance Av. Q	Bottega Dárte / Dalva Abrantes / Marcos Amazonas / Marcos Mendonça
Education	Pro-Gestão	Instituto Razão Social
Education	Banco na Escola	Oficina de Idéias (implementing partner), Itaú, Citi, IBI and SP Dept. of Education.
Education	Compromisso Todos pela Educação	Instituto Brasil Voluntário
Education	Educação para a Sustentabilidade	Junior Achievement (implementing partner), Gerdau and Oi
Education	Fundo de Bolsas	Fundação Getúlio Vargas
Education	Programa História da Gente	Fundação Palavra Mágica
Education	Institutional Support	AIESEC
Fighting hunger and food safety	Institutional Support	Apoio Política de Segurança Alimentar
Health and Sanitation	Institutional Support	Associação Parceria Contra as Drogas
Others	Nossa São Paulo Movement	Instituto São Paulo Sustentável
Others	Institutional Support	Instituto Ethos de Responsabilidade Social

Category	Project	Partners
Others	Institutional Support	Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável
Others	Benchmark de Investimento Social Corporativo	Comunitas - Parcerias para o Desenvolvimento Solidário
Others	Institutional Support	Associação Paulista Viva
Others	Institutional Support	Associação Viva o Centro
Others	Institutional Support	Instituto Voluntários em Ação
Others	Institutional Support	GIFE - Grupo de Institutos, Fundações e Empresas
Others	Institutional Support	Instituto Ayrton Senna
Others	Institutional Support	Instituto Acaia Pantanal
Others	Institutional Support	Casa do Saber e Associação Palas Athena do Brasil
Others	Parque do Ibirapuera	São Paulo City Council and the Environmental Department
Others	Arcos da Lapa - Restoration	Cep 28 / IPHAN - Instituto do Patrimônio Histórico e Artístico Nacional / MVIANA - Arquitetura & Construção / Rio de Janeiro City Council / Rio de Janeiro Department of Culture
Valuing Diversity	Institutional Support	INTEGRARE - Centro de Integração de Negócios

Institutional Support: we support partners in the execution of their social objectives.

Aspect: Corruption

S02: Percentage and total number of business units analyzed for risks related to corruption.

O Santander reviewed and published the Anti-corruption and Bribery Policy in 2009 and made it available to all employees. In order to reaffirm the bank's commitment to ethics and transparency, activities were designed to support those areas of business related to the public sector, with the active participation of the Compliance are in the analysis and approval of sponsorship processes for this sector.

Santander has computerized procedures and systems that allow us to operate in a proactive manner regarding the identification of atypical financial transactions, acceptance of new customers, politically exposed people (PPE) and communications to the regulatory agencies, in compliance with the prevailing laws and ensuring the best market practices for the prevention of money laundering. The area also participates in several committees formed to identify possible risks associated with the issues of corruption and bribery. Whenever irregularities are identified, the suspect transactions are forwarded to the Executive Committee for the Prevention of Money Laundering and Compliance, which will be responsible for adopting measures in compliance with applicable laws to report to the regulators. In this way, all business and support areas are focused on the monitoring of corruption-related risks.

S03: Percentage of employees trained in the organization's anti-corruption policies and procedures.

85% of all Santander employees received training on the prevention of money laundering. Furthermore, each employee working in an area considered to be sensitive took at least one additional course, giving an overall average of 2.02 training activities per employee.

S04: Actions taken in response to incidents of corruption.

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Whenever irregularities are identified, the suspect transactions are forwarded to the Executive Committee for the Prevention of Money Laundering and Compliance, which will be responsible for adopting measures in compliance with applicable laws to report to the regulators.

Aspect: Public Policies

S05: Public policy positions and participation in public policy development and lobbying.

In 2009, Santander coordinated the Capital Market Committee of the Latin-American Sustainable Finance Forum (LASFF) and conducted an initiative for engaging Bovespa companies in the fight against bonded labor in their operations and production chains. This was the first engagement initiative led by investors from emerging markets. As a result, the Bank was invited to present this work to the signatory investors at the annual Principles for Responsible Investment (PRI-ONU) event in Sydney. Important Brazilian and international signatories joined forces in this engagement.

The bank also participated in the following initiatives:

- Round Table on Responsible Soy – a global association on the production of responsible soy;
- *Grupo Técnico da Pecuária* – a Brazilian forum on responsible cattle raising;
- CEBDS/CTFIN – *Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável / Câmara Temática de Finanças Sustentáveis*, a forum for the debate on how to promote sustainability in the financial sector, focused on credit risk.

In 2009, Febraban signed another important initiative with the Ministry of the Environment – the Green Protocol for Private Banks. The mains features of this protocol are:

Social and environmental financing

- To continuously improve the offer of banking services and products designed for projects of a social and environmental nature;
- To offer preferential financing terms for projects of a social and environmental nature;
- To guide borrowers in the adoption of sustainable production practices and responsible consumption.

Social and environmental risk

- To ask borrowers for proof of the environmental licenses required by the current legislation when dealing with projects of potentially high impact.
- To incorporate social and environmental criteria into the process for analyzing loan concessions;
- To include agro-economic or ecological-economic zoning in loan analysis;
- To apply standards of social and environmental performance per productive sector for the assessment of projects with medium or high negative impact.

Use of natural resources

- To include social and environmental criteria in processes for purchasing and hiring services;
- Rationalize operating procedures aiming at maximum efficiency in the use of resources;
- Encourage the reduction, reuse, recycling and adequate disposal of waste.

Engagement

- Train employees to develop the skills needed for the implementation of the principles and guidelines of the Protocol;
- To develop mechanisms of consultancy and dialogue with the interested parties;
- To divulge the results of the implementation of the Protocol.
- Sharing of experiences, monitoring of effectiveness and proposing improvements in the implementation of the Protocol;
- To carry out a biennial review of the Protocol to ensure its continuous improvement.

Some results are already being processed, such as the meeting held by the Ministry of the Environment and Bacen, involving the major state-owned and private banks.

S06: Total amount of financial and in-kind contributions to political parties, politicians and related institutions by country.

As there were no elections in Brazil in 2009, no contributions were made to the election campaigns of political parties.

Aspect: Unfair Competition

S07: Total number of legal actions for unfair competition, anti- trust and monopoly practices and their outcomes.

There were no outstanding or closed legal actions for unfair competition, anti-trust and monopoly practices in 2009.

Aspect: Compliance

S08: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.

Notices of violation drawn up by the Ministry of Labor

Number of notices	335
Fines paid (in thousands of R$)	577,9

Tasked with identifying and reducing labor risks, Santander's Legal area incorporates a labor consultancy department dedicated to the preventive analysis of the main causes of labor grievances and notices of violation, taking into account the current legislation and the dominant case law. The team analyzes the legal amendments in order to guide management, and participates actively on internal and external committees.

Human Rights Indicators

Aspect: Investment And Procurement Practices

HR1: Percentage and total number of significant investment contracts that include human rights clauses or that have undergone human rights screening.

Since August 2009, all Santander's Project Finance proposals have included a clause by means of which the project to be financed/structured by the bank meets the requirements of the Equator Principles, a set of social and environmental standards that addresses issues related to human rights.

HR2: Percentage of critical suppliers and contractors companies that have undergone screening on human rights and actions taken.

All suppliers Santander considered to be high impact are subject to annual approval, which includes visits to their facilities, the completion of a qualification questionnaire and a declaration of the non-use of child labor and/or forced/bonded labor. If the supplier is considered to be unsuitable, the registration is blocked and the supplier may only make a new application for approval after 180 days.

The Santander website began publishing the following information on the Suppliers Channel in November 2009:

- Be our Supplier: information on the process of seeking out new suppliers and how to fill out the pre-registration form for submitting personal details to the bank;
- Our management and relationship model: details on procedures of selection, classification, negotiation, hiring and management of suppliers, the objectives of each stage and the areas involved in the execution;
- How we wish to work: the Parceria de Valor, a document created to serve as a guide for the relationships between the bank and its suppliers and which outlines the main guidelines for this relationship in order to build and maintain a partnership that adds value for all parties involved;
- Sustainable management practices: where companies may learn about the bank's and its suppliers' experiences concerning the adoption of sustainable practices in management and in its services and products;
- Dialogue Channels: submittal of suggestions, complaints and queries on the inappropriate conduct of bank representatives in order to ensure the continuous improvement of processes and behavior.

HR3: Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.

Sustentabilidade em Ação	
Number of training hours	13.5
Participants	156

The Sustentabilidade em Ação (Sustainability in Action) program is run by Santander in order to increase the understanding between employees on the theme and to improve day-to-day practices. Aimed at the retail area, the program uses mobilizers, responsible for divulging its content to all the network and branch employees.

Aspect: Non-Discrimination

HR4: Total number of incidents of discrimination and actions taken.

There were no incidents of discrimination related to diversity.

The bank's Diversity Policy is to accept and embrace diversity, committing itself to stamping out discrimination in the workplace, including all forms of prejudice, exclusion or preference based on religious beliefs or their absence, sex/gender, race/color/ethnics, nationality, age, physical condition, disablement, sexual orientation, marital status, social class, political or union affiliations, that have the effect of eliminating or reducing equality of opportunity or treatment; any other distinction, exclusion or preference that may eliminate or reduce equality of opportunity or treatment in the employment or profession as specified in the Brazilian legislation.

In addition to the policy, Santander has a dialogue group which meets once a month to discuss improvement actions for employees regarding race relations, disabled people, gender relations, age group and sexual diversity. The Code of Ethics (MI 04-04-06) states, in the "Responsibilities" item that all employees should report to the Human Resources department via intranet, all situations that constitute incidents of discrimination, sexual harassment, moral harassment or intimidation of any kind, in relation to both the external audience and work colleagues. The issue is also dealt with in other internal policies and Human Resources Management is responsible for processing the reports that come to their knowledge, forwarding them to be dealt with by the competent internal area.

Aspect: Freedom of Association and Collective Bargaining

HR5: Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights.

Santander's relationship with the more than 170 bank workers unions that currently exist in the country has gone from strength to strength. The management is prepared to dialogue with the workers' representatives and always strives for conciliation in possible conflicts resulting from work relations, of a both individual and collective nature.

The year 2009 was marked by the addressing of issues brought up by union officials and by formal negotiation meetings of union representatives for the solution of matters concerning the merger of Banco Santander and Banco Real. The bank has a specific agreement with the union representatives that provides for a number of matters, including those related to merged banks, such as pre-retirement paid leave, indemnity allowance and the profit sharing program.

Aspect: Child Labor

HR6: Operations identified as having significant risks for incidents of child labor, and measures taken to contribute to the elimination of child labor.

There were no cases of operations identified as having significant risk for incidents of child labor. Santander suppliers are required to fill in a document stating they do not use child or bonded labor.

Aspect: Forced and Bonded Labor

HR7: Operations identified as having significant risk for incidents of forced or bonded labor and measures taken to contribute to the elimination of forced or bonded labor.

There were no cases of operations identified as having significant risk of forced or bonded labor. Santander suppliers are required to fill in a document stating they do not use child or bonded labor.

Labor Practices Indicators

Aspect: Employment

LA1: Total workforce by employment type, employment contract and region.

Company	Number of employees
Banco Santander *	48,647
Others **	3,483
Insurance ***	327
Total	52,457

* Includes all the organization's employees.
**Includes all companies except Banco Santander and Realcor.
***Includes all the organization's employees.

Region	Number of employees
Mid-West	1,588
Northeast	3,365
North	670
Southeast	42,157
South	4,677

Type of employment	Number of employees
Apprentices	929
Total workforce*	52,457
Interns	2,480
Outsourced	33,593

* Includes Banco Santander (Brazil) S.A., its subsidiaries listed in the balance sheet and certain subsidiaries of Banco Santander, S.A. (Spain) headquartered in Brazil. Excluding the subsidiaries of Banco Santander, S.A. (Spain), the figure was 51,241 employees.

Level of Education	Number of employees
Primary	280
Secondary	20,329
University	25,738
Post Graduation/Master's/ Doctor's	6,100

Length of time at the company	Number of employees
Less than 5 years	27,687
6 to 10 years;	9,541
11 to 20 years;	6,982
More than 20 years;	8,247

Attracting Professionals	Number of employees
Interns at the organization	4,956
Trainees hired	27

LA2: Total number and rate of employee turnover, by age group, gender and region.

Region	Admitted*	Dismissed	Turnover %**
Mid-West	163	215	13.5
Northeast	299	389	11.6
North	85	117	17.5
Southeast	4,654	5,932	14.1
South	436	629	13.4
Total Turnover			13.9

*Includes admissions and interns eventually hired as employees.
** Dismissed / (Total of Employees)*100.

Gender	Admitted*	Dismissed**	Turnover (%)
Female	3,159	3,558	12.0
Male	2,208	3,615	15.8
Total Turnover			13.9

*4.8% of the admitted workers didn't had gender registration in the system.
**1.5% of the dismissed workers didn't had gender registration in the system.

Age group	Admitted*	Dismissed	Turnover (%)**
14 to 19 years	211	16	9.4
20 to 29 years	3,407	2,365	11.6
30 to 39 years	990	1,862	11.1
40 to 44 years	248	444	7.8
45 to 49 years	159	456	8.7
More than 50 years	81	631	15.1
Turnover Total			13.9

*9.6% of the admitted workers didn't had age registration in the system.
**20.7% of the dismissed workers didn't had age registration in the system.

LA3: Benefits provided to full-time employees that are not provided to temporary or part-time employees, broken down by major operations.

Benefits	Amounts (in thousands of R$)
Food	404,088
Daycare or daycare allowance	22,899
Education, Training and Professional Development	79,006
Mandatory payroll overheads	984,757
Profit sharing*	854,398
Other	1,124,374
Private Pension Plan	79,166
Healthcare	217,389
Occupational Safety in	9,679
Total Benefits	3,775,756

*Banco Santander with the other companies of the Group, excluding: Isban / Produban / Universia

Employees benefited by Scholarships	Number of People
Graduation	3,473
Languages	559
Post-Graduation	374

*Includes people who are enrolled and/or completed the courses in 2009.

Aspect: Labor/Management Relations

LA4: Percentage of employees covered by collective bargaining agreements.

According to Brazilian Law, all employees in the country are covered by collective bargaining agreements. There are 882 union leaders and representatives among Santander employees. In all, 24,334 employees are union members.

LA5: Minimum notice period regarding operational changes, including whether it is specified in collective agreements.

There is no minimum notice period and possible structural changes are not subject to prior negotiation with the union.

Aspect: Occupational Health And Safety

LA6: Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.

Santander's internal committees for the prevention of work-related accidents (Cipas) are composed of 102 employees, or 0.19% of the workforce.

LA7: Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region.

	Work-related accidents
Work-related accidents resulting in absence	1,373
TAC (Work-related Accident Rate) *	1,19
TDO (Occupational Disease Rate) **	2,21
TDP (Lost Days Rate) ***	423,58

*TAC = (Number of cases of work-related accidents > 15 days in 2009)/ (Total hours worked)*200,000
**TDO = (Number of cases of diseases> 15 days in 2009)/ (Total hours worked)*200,000
***TDP = (Number of lost days in 2009)/ (Total hours worked)*200,000

In 2009, there was one fatality related to an accident that occurred on route to a visit.

LA8: Educational, training, counseling, prevention and risk control programs in place to assist workforce members, their family members or community members regarding serious diseases.

.Santander conducts a series of educational, training, counseling, prevention and risk control programs, such as the Programa de Prevenção de Riscos Ambientais (Program for the Prevention of Environmental Risk) and the Programa de Controle Médico e Saúde Ocupacional (Program for Medical Control and Occupational Health). Some of the most noteworthy activities in place for the prevention of accidents and diseases are the ergonomic assessment of the call centers and posture guidance, labor gymnastics and preventive campaigns:

- *Programa Tabagismo – Viva Melhor sem Cigarro* (Tabagism Program – Live longer without Smoking), which includes a mandatory medical appointment with a specialist doctor (cardiologist, psychiatrist or pneumologist), a medical report and prescription, a psychological assessment carried out by the *Programa de Apoio Pessoal* (PAP), including the Farghson motivational test and monitoring over a six-month period;
- *Programa da Gestante* (Program for expectant women), including monitoring during pregnancy and up to three months after giving birth for all employees and dependents of the healthcare plan offered by the bank
- Campaign on the importance of giving blood in partnership with the company Sangue Bom – around 160 people gave blood in 2009;
- A vaccination campaign, through which free vaccinations are given to all our employees in Brazil, provided to by mobile clinics sent to all our locations of operations.
- Monitoring of HIV and other serious diseases through the Programa de Apoio Pessoal, from the moment we are notified of the employee's health condition. In the specific case of HIV – as employees have no obligation to notify the company and as they are treated in public institutions - communication and guidance are provided on specific dates.

Another important initiative, the Programa de Qualidade de Vida (Life Quality Program), offers activities in the administrative buildings in order to make easier for employees to make their professional and personal lives compatible. Some of the activities employees can choose from: yoga, choirs (in São Paulo, Belo Horizonte, Rio de Janeiro and Porto Alegre), meditation, musical program (lessons and musical presentations – extended to family members), chess and handicraft workshops. The bank promotes sport activities in the form of five-a-side soccer tournaments, indoor soccer, basketball, tennis, table tennis, games in the workplace (checkers, dominoes, table football) pool, volleyball, fishing and chess. At road running events employees have the use of a tent for breakfast, quick massage and stretching exercises, in addition to the donation of 50% of the registration fee and a Santander t-shirt.

Furthermore, employees are encouraged to participate in global activities: Semana Santander Eres Tu, Somos os Protagonistas, the I Santander Marathon and the Santander Golf Cup.

LA9: Health and safety topics covered in formal agreements with trade unions.

The collective bargaining agreement of the category attempts to establish minimum standards for general issues of the system, and among these, occupational health and safety. In this way, there are rules on the internal Committees for the Prevention of Work-Related Accidents, policies on AIDS, the extension of medical insurance plans to employees that have been dismissed and professional rehabilitation, besides joint committees to deal with the issue of banking safety and equal opportunities.

Aspect: Training and Education

LA10: Average hours of training per year, per employee, by job category.

Area of employment	Participation in distance training*	Participation in classroom training**
Administrative	498,573	74,109
Board of Executive Officers	417	995
Specialist	50,263	19,721
Managerial	2,480	3,384
Operational	383,239	59,922

Area of employment	Number of hours in distance training*	Number of hours in classroom training**
Administrative	706,794	1,282,669
Board of Executive Officers	884	14,032
Specialist	74,640	313,275
Managerial	5,805	61,235
Operational	640,467	1,560,083

Area of employment	Average hours in distance training*	Average hours in classroom training **
Administrative	31.1	56,4
Board of Executive Officers	4.2	65,9
Specialist	16.1	67,8
Managerial	7.9	82,9
Operational	25.2	67,9

* Does not include Isban/Produban employees, includes interns
**Does not include Isban/Produban employees

	Investment in training
Investment in training /educational activities (in thousands of R$)	75,713,6
% external social investment over net interest income	0.31

LA11: Programs for skills management and continuous learning that support the continued employability of employees and assist them in managing career endings.

Santander seeks to integrate and identify the best practices in Human Resources developed by the two banks and the market. Santander uses this guideline to invest continuously in the training and well-being of its 52,000 employees, by means of skills management and continuous learning programs.

- Focusing on skills management and continuous learning, Santander provided training on sustainability for 36,757 employees and training in leadership development for 10,746 employees.
- The Santander trainee program provides intensive professional development for young people to develop their careers with realistic perspectives of a career in the bank. One of the consequences of this new face of society is the bank's decision to revamp its trainee program, moving from a traditional format to a relationship platform with young people, and which will be put into effect in 2010. In order to create this new proposal, the bank promoted a number of debates and activities with university students all over Brazil, with the aim of finding solutions that promote interaction and dialogue in an agile, transparent and collaborative manner.
- The bank has a structured program for interns and a partnership with CIEE for the management of contracts. This program includes a collaborative environment for holding courses recommended for professional development and which facilitates the sharing of information with the remaining 2,480 interns at the organization – acquiring a broader vision of the business. This environment allows managers to monitor the development of the interns, who are assessed and given feedback every six months in order to reinforce their strengths and to develop their points for improvement. The bank only hires interns who are in their second year or third semester at university, provided their work practices are in line with the course they are sitting. All selection phases are online except the final interview.
- The Junior Executive Program is offered to 75 interns with the objective of including black interns in the organization. The program is a partnership with UniPalmares and the *Fundação Getulio Vargas* and has a training grid.
- The Jovem Aprendiz (Young Apprentice) program is developed in partnership with NGOs with the objective of offering young people between the ages of 14 and 24 professional training to prepare them for the work market. Each young person is appointed a tutor for a two-year period, where part of the time is dedicated to carrying out hands-on activities in the area they operate in and the remainder is dedicated to theoretical training. Selection favors young people from low-income families studying at public schools.
- The objective of the Vida e Carreira na Maturidade (Mature Life and Career) program is to prepare employees to embark on a new stage of their lives, beginning with retirement and specifically with the termination of their employment relationship with the bank. R$ 103,000 were invested in the program in 2009, made up of 12 meetings.
- Climate Survey: Conducted in October 2009, the results of the survey are being divulged to the whole organization. Action plans for each group of directors will be drawn up based on this diagnosis and an institutional action will be carried out to create dialogue on this issue and mobilize employees for the development of engagement in the organization for creating strategic aspirations.
- Professional requalification: In 2009, R$ 858,000 were invested in professional requalification and outplacement As a result of the merger, the central areas of the bank were restructured in 2009, and employees were laid off. The human resources department provided support for employees by means of a career and professional outplacement program, with one of the best consulting companies in the field. Bonuses were established and benefits extended.
- Leadership Development Program: The bank is creating a new culture, propelled by changes in attitude and a review of leadership roles. This is why individuals are at the center of our strategy, resulting in the company becoming more and more open to the participation of its employees and to the valuing of their ideas. In line with the aspiration of being the best bank in Brazil to work at, in 2009 Santander put into practice strategies for career and leadership development. This initiative was put into motion by inviting 1,200 employees to discuss the commitment and model that were being launched. This was followed by a debate on ideal leader profiles for the new bank.

LA12: Percentage of employees receiving regular performance and career development reviews.

9,016 employees had their goals and skills assessed in 2009. Between January and February 2010, 19,300 employees should undergo the skills assessment, 37% of the total workforce.

Aspect: Diversity and Equal Opportunity

LA13: Composition of corporate governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.

Breakdown according to level of employment, gender and race

Profile of employees	% in operational positions	% in administrative positions	% in specialist positions	% in managerial positions	% of Directors	%Total – Level of position
Asian Women	0.55	0.79	0.16	0.02	0	1.52
White Women	19.44	18.79	2.59	0.38	0.05	41.25
Indigenous Women	0.13	0.14	0.03	0	0	0.3
Black Women	0.69	0.19	0.02	0	0	0.9
Brown Women	3.17	1.67	0.12	0.01	0	4.97
Asian Men	0.27	0.51	0.22	0.03	0.01	1.04
White Men	11.09	14.1	5.14	0.98	0.31	31.62
Indigenous Men	0.09	0.09	0.04	0.01	0	0.23
Black Men	0.59	0.29	0.03	0	0	0.91
Brown Men	2.1	1.73	0.34	0.03	0	4.2
% Total - Race and Gender	38.12	38.30	8.69	1.46	0.37	86.94

Note. 13.08% did not state their race

Age Group	Number of employees
14 to 19 anos	170
20 to 29 anos	20.354
30 to 39 anos	16.810
40 to 44 anos	5.677
45 to 49 anos	5.255
Over 50	4.191

	Disabled employees
Disabled employees admitted during the period	286
% of employees who are disabled	3,91
Total of disabled employees	2.053

The Santander Valorização da Diversidade program considers diversity to be a comprehensive issue; however, it prioritizes the following: racial matters, gender (women in leadership positions), disabled people, age difference (young apprentices and people over 45) and sexual diversity. In order to further develop the theme, Santander conducted a series of activities to promote and value diversity in 2009, including commemorative events, awareness lectures and engagement and sponsorships. With regard to LGBT, we sponsored the executive meeting on tourism aimed at this audience during the LGBT Parade (Lesbians, Gays, Bisexuals and Transsexuals), in front of the Banco Real headquarters at Avenida Paulista in São Paulo. This event led the bank to train its security guards to treat the participants in an appropriate manner.

With regard to racial issues, Santander participated in the Feira Preta, manning a stand and giving a lecture on microcredit for mini businesses with the objective of divulging the activities and respect for the black community. Another event was the launch of the second group of the Executivo Junior Program (75 black interns) and sponsorship of the Afirmativa Plural magazine. In relation to disabled people, Santander held an awareness event on the International Day of Persons with Disabilities, including motivational lectures for employees. The bank hired 286 disabled people in 2009, 127 of which were from the FEBRABAN's Training and Inclusion Program. The organization also sponsored the Parade on Behalf of Accessibility for the Disabled and was present at Reatech, VIII Business and Accessibility Fair.

LA14: Ratio of base salary of men to women by employee category.

The company does not hold records of this information.

Product Responsibility Performance Indicators

Aspect: Customer Health and Safety

PR1: Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and service categories subject to such procedures.

Santander puts prime importance on the safety of customer access to electronic channels and equips these channels with countless safety mechanisms, in accordance with the strictest current standards, in addition to developing continuous educational and informative tools for customers and employees.

There are specific sections on safety on Santander's institutional websites, with detailed material on prevention and fraud and tips for the safe use of self-service terminals, internet banking and call centers. Informative campaigns on safety and fraud prevention, focused on the main threats and attacks are periodically posted on these channels. Additionally, there are leaflets on the subject available at the branches. Training programs on safety in general and fraud prevention are held regularly with employees of all areas of the bank, especially those connected to customer service.

We are implanting chips in all our cards in an effort to increase safety when using self-service terminals and all other transactions involving the use of cards. Different access and transaction passwords when using call centers increase the safety of this service. All Santander's customers who use the bank website are already using the Safety Card, which makes it difficult to steal access passwords, and shortly everyone will be equipped with the Protection Module – a tool which identifies and prevents malicious programs from requesting or capturing account access details.

As an additional safety measure, SMS messages notify customers of financial transactions carried out in their checking accounts or on credit cards. Advanced monitoring tools and notification of suspicious access and transactions are included in the set of protection mechanisms for the customer when using Santander channels.

PR2: Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcome.

Santander did not register any cases of non-compliance related to health and safety impacts of products and services.

Aspect: Product and Service Labeling

PR3: Type of product and service information required by labeling procedures and percentage of significant products and services subject to such information requirements.

We provide customers with information on increases in fees and tariffs in two ways: via a tariff table, established 30 days before the date the increases come into effect, as required by law; via letter/direct mail, when the monthly fee for the basket of products is raised.

As the latter deals with information relevant to the customer, we always use personal correspondence. We attempt to post this correspondence as far ahead as possible from the date the new fee comes into effect. However, the law does not require the bank to do this.

Due to the Central Bank's new resolutions with regard to banking fees (which came into effect in the first semester of 2007), Santander is making plans to notify customers in the most adequate manner, as a way of clearing up doubts and explaining the respective changes in their relationship with the bank.

PR4: Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcome.

Santander did not register any incidents of non-compliance with regulations and voluntary codes related to information and labeling of products and services.

PR5: Practices related to customer satisfaction, including results of surveys measuring this satisfaction.

Santander carries out a quarterly Customer Satisfaction Survey on approximately 6,300 customers from each bank, regular users of channels, branches, credit cards and SAC (customer service). The last survey was carried out at the end of 2009 and showed a continuing upward trend, with the percentage of totally satisfied customers rising from 41% to 44%, and then to 46%. Customers from the Clássico and Exclusivo sectors are largely responsible for the improvement in these results. Satisfaction levels at Banco Real remained steady throughout the survey – satisfaction levels in the Van Gogh sector are on the rise (46%; 48%; 50%). There was a reduction in the percentage of unsatisfied customers (14%; 13%; 11%), largely due to "non-salary account" (conta não vinculada) customers.

Note. The dates of the Quality Indicators survey (Satisfaction): Wave 1 – February / March 2009 - Wave 2 – June / July / August 2009 - Wave 3 – September /October / November 2009. "*Não Conta Vinculada*" customers are those that are not classified under Salary Accounts, or those who spontaneously opened an account in place of the account opened by the company they work for.

The year 2009

	Real	Santander	Total
Suggestion	3,923	2,419	6,342
Praise	8,282	5,180	13,462
Complaint	472,489	693,003	1,165,492

Open Dialogue with Employees and Consumer Defense Bodies: Two Open Dialogue events were held in São Paulo in 2009. The theme of the first, held in September, was "The evolution of consumer rights in Brazil". The second was in October and focused on "Financial education: the role and responsibility of financial institutions". More than 200 employees attended and participated in the events. The program is composed of events in which we invite authorities on the themes in question (representatives of Consumer Defense Bodies, Regulatory Agencies, specialized press and renowned specialists in consumer rights to debate the theme with our employees. The objective of Open Dialogue is to disseminate knowledge and to mobilize all of us as both employees and the consumers we are, in order to spread the culture of customer service, both inside and outside the bank. The first Open Dialogue is programmed for March 2010 to commemorate the International Day of the Consumer in the following cities: São Paulo, Rio de Janeiro, Porto Alegre, Belo Horizonte and Recife, under the theme "The evolution of respect to consumers over the last decade".

Aspect: Marketing Communications

PR6: Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.

The organization's communications activities follow the Corporate Code of Ethics, the Standards established by CENP - Conselho Executivo das Normas - Padrão e Conselho Nacional da Auto-Regulamentação Publicitária, in addition to the regulations of CONAR, Abemd and financial agencies such as BACEN and ANDIMA/ANBID when necessary.

We provide customers with information on increases in fees and tariffs in two ways: via a tariff table, established 30 days before the date the increases come into effect, as required by law; via letter/direct mail, when the monthly fee for the basket of products is raised (the packages of services the customer chooses by paying a monthly fee on the date he/she chooses).

As the latter deals with information relevant to the customer, we always use personal correspondence. We attempt to post this correspondence as far ahead as possible from the date the new fee comes into effect. However, the law does not require the bank to do this.

Due to the Central Bank's new resolutions with regard to banking fees (which came into effect in the first semester of 2007), Santander is making plans to notify customers in the most adequate manner, as a way of clearing up doubts and explaining the respective changes in their relationship with the bank.

PR7: Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcome.

Santander did not register any incidents of non-compliance with regulations and voluntary codes in relation to marketing communications.

Aspect: Compliance

PR9: Monetary value of (significant) fines for non-compliance with laws and regulations concerning the provision and use of products and services.

In 2009, the total value of fines in relation to products and services was R$ 12,625.5 thousands.

Sector Performance Indicators

FS1: Policies with specific environmental and social components applied to business lines.

Analysis of risk and opportunity in relation to social and environmental factors follow guidelines and promote an alignment between the principles and values of corporate social and environmental responsibility and business. Social and environmental aspects are included in transactions with customers and the failure to observe this approach may result in direct and indirect consequences, such as: reduction in cash flow, asset loss, reputational risk, public health risk and loss of natural ecosystems.

Santander does not work with customers that:

- Use forced, bonded or child labor, as set forth in the law;
- Exercise activities that directly or indirectly encourage illegal gambling and prostitution;
- Extract, cut or log native wood not certified with green stamps (FSC or Cerflor), or that fail to develop the best practices of forest management;
- Are active in the field of the extraction or manufacture of products containing asbestos.

On entering into a relationship with new customers, the unit responsible for the acceptance of the relationship identifies and monitors potential social and environmental risks and opportunities. Acceptance is dependent on the assurance of the legal compliance of the customer's activities, in accordance with the environmental and labor laws in force; the same procedures being applied to the acceptance of suppliers.

Concession of credit to individuals with a limit equal to or above R$ 1 million and present in the capital market is subject to a report from the social and environmental risk area. The 14 sectors that require special attention are:

1. Prospecting, exploration of oil or natural gas; fuel distributors in general and gas stations
2. Mining;
3. Metallurgy, iron and steel industry, pig iron and electroplating;
4. Lumber mills, saw mills, logging, furniture making and trade;
5. Generation, transmission and distribution of energy;
6. Manufacturing in general;
7. Agriculture and cattle raising in general;
8. Hospitals and laboratories;
9. Collection, treatment, recycling and disposal of domestic, industrial and hospital solid waste;
10. Transportation in general, terminals, excluding those for passengers, and depots;
11. Civil construction in general;
12. Construction companies and developers;
13. Fishing and aquaculture;
14. Use of biodiversity, silviculture and forestry byproducts.

The mechanisms and tools used for analysis and monitoring:

- The completion of a social and environmental questionnaire;
- Social and environmental risk management by a specialized team, using tools such as public information surveys, the analysis of a social and environmental questionnaire completed by the customer, engagement with NGOs and government agencies, consulting companies and independent auditors, when necessary, and technical assistance for financing social and environmental improvements;
- Visit with an approach on the social and environmental practices of both customers and the bank.

A reassessment is carried out every 12 months when customers renew their credit limit. For analyzing, financing or advising on new projects costing US$ 10 million or more and included in the modality of Project Finance, Santander applies the social and environmental criteria of the Equator Principles.

Individual customers requesting credit of R$ 1 million or more undergo a social and environmental analysis, with the exception of the completion of the social and environmental questionnaire.

Further information on social and environmental policies can be found in the chapter "The differentiated risk management model"

Social and environmental risk analysis

Report - approved customers*	2001
Report – customers approved with reservations	143
Report – customers not approved	2
Total reports	2,146

* The value refers to reports approved with no restraints.

FS2: Procedures for the assessment and classification of social and environmental risks in the lines of business.

The social and environmental aspects taken into account during risk analysis are included in business with customers. The criteria of the Equator Principles are used for the financing of projects with values of more than US$ 10 million. Failure to observe this approach may result in potential direct and indirect consequences, such as: reduction in cash flow, asset loss, reputational risk, public health risk and loss of natural ecosystems. The projects analyzed by the Equator Principles in 2009 were:

Projects analyzed by the Equator Principles, by category

Category	Approved	Approved with reservations	Not approved
A	0	0	0
B	0	2	0
C	0	0	0

Projects analyzed by the Equator Principles, by area

Area	Projects
Corporate	0
Project Finance	2
Other	0

Projects analyzed by the Equator Principles, by sector of activity

Sector	Approved	Approved with reservations	Not approved
Energy	0	1	0
Manufacturing	0	0	0
Infrastructure	0	0	0
Mining and metallurgy	0	0	0
Oil and gas	0	1	0

Projects analyzed by the Equator Principles, by value

Value	Projects
More than US$ 1 billion	1
Between US$ 500 million and US$ 1 billion	0
Between US$ 250 million and US$ 500 million	0
Between US$ 50 million and US$ 250 million	1
Less than US$ 50 million	0

Further information on social and environmental risk analysis can be found in the chapter "The differentiated risk management model"

FS3: Processes for monitoring customer compliance with social and environmental requirements included in contracts or transactions.

11 environmental audits and visits were carried out in 2009.

FS4: Process(es) for improving the skills of employees in introducing social and environmental policies and procedures into the lines of business.

The relationship managers of the Global Banking and Markets and Corporate (GB&M) sectors were trained in Santander's new social and environmental risk practice policy between the second semester of 2009 and the second week of January 2010. The training is a four-hour classroom session focusing on concepts of social and environmental risk in the concession of credit and acceptance of customers.

During the second semester of 2009, the customer acceptance analysts of the Compliance Unit for the Prevention of Money Laundering and the analysts from the Internal Audit Committee received training in social and environmental analysis. The classroom training activities include the concepts of social and environmental risk, the practice of social and environmental risk in the concession of credit and the acceptance of customers and the execution of social and environmental analyses.

FS5: Interaction with customers/business partnerships in relation to social and environmental risks and opportunities.

Development of sustainable business and tourism

Santander created the area of Development of Sustainable Business in 2007, with the aim of helping to generate business, identify opportunities and offer support to the areas of business and products in the form of ideas, strategy and tools. The initiatives developed include Santander Turismo Sustentável, a program for the sustainable development of Brazilian tourist destinations and for the awareness and education for responsible tourism. The initiative aims at the integration and convergence of the activities carried out by public, private, multilateral and third-party entities for the economic development of the tourism production chain in Brazil.

The main activities and events held by the program in 2009 were:

- The signing of a cooperation agreement with the International Trade Centre (ITC), a UNO agency linked to the World Trade Organization. Santander and the ITC join forces with the aim of fostering the generation of employment and income for under-privileged communities through tourism.
- A representative of the World Travel and Tourism Council – Santander was invited to join the World Travel and Tourism Council – WTTC, a global forum of leaders formed by top executives from all sectors of the travel and tourism industry, including hotels, entertainment, recreation, transportation and other services of the tourism value chain. Santander is the only Brazilian company and the only bank in the world to sit in the Council today

- Training of young people to work in tourism – Santander invested R$ 174 thousands in the development of a training program in the Costa dos Coqueiros region in the state of Bahia, which will benefit 34 young people in the first group. The objective is to prepare them to work in the local hotel network. The young people will be the first to be trained by means of Real CapTurismo, a savings bond (título de capitalização) that allocates part of its income to the program. The selection and training commence in December 2009 and will be coordinated by the Instituto Imbassaí. The activity is carried out in partnership with the International Trade Center (ITC), a UNO agency entrusted with the generation of employment and income for underprivileged communities.
- Sponsorship of the III Forum on Communities and Tourism – Local Production Associated with Tourism, which was also held in the Costa dos Coqueiros region in Bahia. The event promoted the debate and structuring of the tourism sector for the economic and social development of the communities in the Costa dos Coqueiros region. The initiative was carried out in partnership with the Government of the State of Bahia, the State Tourism Board and Bahiatursa, the Lauro de Freitas City Council, Sebrae and Faculdades Unibahia.
- The holding of the II Seminar on Sustainable Development in Tourism - Case: South Africa, in the cities of São Paulo, Brasília and Salvador, in partnership with Sebrae Nacional, the South African embassy and support from the Ministry of Tourism.

Pathways and Challenges for sustainable business

Santander offers its customers and suppliers the course Caminhos e Desafios (Pathways and Challenges), as a way of sharing its practices and providing tools that facilitate the inclusion of sustainability in business and the engagement of employees. It is a two-day classroom course designed to be useful for organizations with diverse characteristics. 12 courses of the program were held in 2009, and 108 participants from 66 suppliers took part in events in various cities around Brazil. A total of 1,400 leaders from over 800 customer and partner companies were mobilized.

The initiative attempts to share the experience that Santander has already acquired and to encourage companies to take action, encouraging the definition of the strategy of sustainability and contributing to the incorporation of the principles of sustainability into the organization.

Education and training for external audiences

New registrations on the Santander Sustainability website	17,123
Total registrations on the Santander Sustainability website*	20,403
Number of people that participated in online training**	13,017
Number of people that participated in classroom training***	2,596

* Number of registrations from the beginning of the project on 01/01/2008 to 31/12/2009.
** 1,236 people concluded the Human Rights course, 1,309 the Diversity course, 995 the Child and Youth Protection Act course, 6,990 the Sustainability course, 2,080 the Sustainable Construction course and 407 the Private Social Investment course.
*** 1448 people concluded the Pathways and Challenges course, 464 people participated in the Sustainability Workshops, 198 participated in the Open House and 486 people attended the Sustainability Events.

Further information on Santander's interactions in social and environmental issues can be found in the chapter "Trust generates sustainable results for everyone".

Aspect: Product Portfolio

FS6: Percentage of the business portfolio by specific region, by scale (e.g. micro/ small and medium-size/large), and by sector.

Financial Statements, page 293.

FS7: Monetary value of the products and services created to provide a specific social benefit for each line of business, by purpose.

The year 2009 was a landmark for Santander's microcredit operations. RealMicrocrédito closed the period with profits of R$ 4.6 million and an active portfolio of 84,500 customers and R$ 84.7 million. The delinquency rate fell from 11.3% at the beginning of the year to 7.8% at the close of 2009. There are 22 microcredit service points in total. Various initiatives proved to be vital to this fine performance, among which were the creation of new products, the alignment of the policies, improvements in the processes and cost management.

Microcredit

Sector	Customers
Food and beverages	23,667
Education	145
Health and beauty	10,471
Textiles	30,338
Transport	617
Others	19,285

Sector	Microcredit Financial volume (in thousands of R$)
Food and beverages	22,967,8
Education	196,4
Health and beauty	10,340,5
Textiles	30,482,4
Transport	384,1
Others	20,354,0
Total Microcredit	84,725,2

Gender	Customers	Microcredit Financial volume (in thousands of R$)
Men	27.754	28,230,2
Women	56.730	56,441,9

* 49 customers did not state their gender on registration

Social and environmental loans granted by Santander in 2009, for both individual and corporate customers totaled R$ 873,428,700.

Social and environmental loans (in thousands of R$)	
Total of social and environmental loans	873,428,7

* includes loans of a social and environmental nature, corporate and individual customers

Further information on Santander's interactions in social and environmental issues can be found in the chapter "Trust generates sustainable results for everyone".

FS8: Monetary value of products and services created to provide a specific environmental benefit for each line of business, by purpose.

Florestas do Brasil is a closed-end fund of 20 years' duration created by Santander. The objective of the fund is ensure the fund quotaholders receive dividends worth their investment by means of the acquisition of quotas or participation in companies operating in the sectors of forestry, reforestation, forest management, industrialization, the processing and marketing of forestry products and other activities related to the forestry and logging sector.

The fund invests in projects that combine profitability for quotaholders and sustainable activity from the social and environmental points of view. It has an Investment Committee made up of the majority quotaholders, its administrator (Banco Santander Brasil S.A.) and its manager (Cláritas Investimentos). Its assets stand at around R$ 22,598,000.

In turn, the Fundo Floresta Real is a pioneering and innovative product on the Brazilian investment market with social and environmental benefits. It is a fixed income fund, that in addition to ensuring invested resources are profitable, guarantees its quotaholders the right to receive, in Brazilian reais, the monetary amount of the carbon credits generated by the Programa Floresta Real, a project for reforesting degraded areas in the Vale do Ribeira (interior of the state of São Paulo), which will serve to compensate part of Banco Santander's emissions.

The benefit is valid for every R$ 25,000 invested in the fund and not withdrawn for three consecutive years. Quotaholders are e-mailed a monthly update on Floresta Real with details of the fund's performance, the evolution of the carbon credit market and the progress of the Floresta Real program. Its assets stand at around R$ 138,757,000.

Aspect: Audit

FS9: Scope and frequency of audits to assess the implementation of social and environmental policies and risk assessment procedures.

The Audit department did not conduct any audits on social and environmental policies in 2009.

Aspect: Active Ownership

FS10: Percentage and number of companies in the institution's portfolio with which the organization interacted in social or environmental issues.

Sustainability Practices

Santander, along with other companies, wishes to reinvent its business in a profitable and innovative manner, incorporating care for the environment and society into its financial results. Investment in sustainable practices allows companies to create new business opportunities, to reduce costs and risk exposure while contributing to the creation of a better society, and fostering improved and longer- lasting relationships. This was the reason for continuing with the Espaço de Práticas em Sustentabilidade (Space for Sustainability Practices) program, also known as Práticas, created by Banco Real in 2007. This pioneering initiative is a structured engagement process for corporate customers and suppliers, as companies play a key role in the viability of sustainable development.

The bank systemized everything it had learned over the past decade in classroom and online training programs to provide companies with access to information and experiences they can use to review their practices with sustainability in mind. The leaders and entrepreneurs of these companies are invited to participate in the training activity "Sustentabilidade na Prática: (Sustainability in Practice: Pathways and Challenges), where executives talk about the knowledge they have gained and the challenges they faced along the path to including sustainability in bank practices. Training activities last for two days and the participants receive guidance and create an action plan for the inclusion of sustainability in their business. They can also use an exclusive area on the Práticas website to share experiences. The website is a fundamental part of this engagement model and received over 1.3 million visits in 2009, an indicator of the evolution and increased interest of society in the subject. Video chats were partly responsible for this performance, including the thinking and behaving in everyday life, was also well received. The course is presented in a movie format, divided into three chapters complemented by quizzes and texts, in case participants want to go deeper into the topics (see box).

The *Práticas* program also has an Advisory Council, headed by the president of Santander, Fabio Barbosa, and made up of leaders from several sectors of society to assess future initiatives of the project and to share knowledge in order to multiply actions.

Pathways and Challenges

In 2009, 892 companies represented by 1,452 participants from the segments Santander and Real Retail, Businesses, Corporate, universities, governments and institutions and suppliers took part in Pathways and Challenges training . Santander also held a workshop for entrepreneurs during the 15th United Nations Climate Change Conference (COP-15) in December, in Copenhagen, Denmark. The Espaço de Práticas em Sustentabilidade webiste had more than 1 million visitors in 2009 as a result of the launch of an online course introducing the character Roberto, an ordinary citizen who gradually discovers a new way of thinking and behaving in everyday life.

Amigo de Valor

The *Amigo de Valor* program seeks to guarantee the basic rights of children and adolescents by allocating part of the income tax owed by individuals and companies to the City Funds for the Rights of Children and Adolescents. In 2009, both programs merged under the name Amigo de Valor, and raised R$ 6.9 million in funds. The amount was invested in 31 cities and towns located in 17 Brazilian states. A total of 25.4 thousand people among employees, customers, suppliers and businesses participated in this edition of the program. In 2009, 45% of employees helped raise funds.

Amigo de Valor also includes the engagement of employees that were organized into work groups to review the projects enrolled by local committees; then they visit the cities and decide on which projects will be sponsored. In addition to the financial support the program helps strengthen the role of local committees via the training of the teams involved in the project. Throughout the use of funds period the group participates in workshops that provide a systemic outlook of project management and the local prospects in connection with the city's role to ensure child and adolescent rights. Indicators that assess outcomes are discussed in the workshops, including the alternatives to change the direction of a project while in progress as needed. Each initiative will receive support for up to 3 years according to the results it presents.

Further information on Santander's interaction in social and environmental issues can be found in the chapter "Trust generates sustainable results for everyone".

FS11: Percentage of assets subject to positive or negative social or environmental screening.

The Ethical Fund is the first share investment fund to be created in Latin America with socially responsible investment characteristics (SRI). The fund is used to invest in the shares of companies that besides possessing traditional economic-financial potential, stand out due to their position in relation to their shareholders, creditors, employees, customers, suppliers, government, community and society. The portfolio is limited to shares from companies that are concerned about the impact their activities have on the community and the environment and that voluntarily adopt good practices of corporate governance.

	SRI Funds
Total Net Worth Funds SRI (in thousands of R$)	412,805
Total Net Worth Variable Income (in thousands of R$)	7,245,253,89
% SRI Funds over Total Variable Income	5.7%

FS12: Voting policy (ies) applied to social or environmental issues for participations in which the reporting organization has the right to voting shares or voting advice.

Santander does not have a specific voting policy for social and environmental issues at meetings, where environmental, social and governance (ESG) issues are not considered to be compulsory subjects. However, if the topics are brought up at shareholders meetings the areas responsible for risk assessment may be involved, with participation being assessed case by case.

Engagement of stockbrokers

As far as Santander is concerned, the engagement of suppliers should be extended to companies that render financial services, such as stockbrokers. In 2009, the bank extended the new process of the classification of stockbrokers developed the previous year by Banco Real to the areas of Treasury and Asset Management. Based on this project, a broad review of processes was carried out and the risk policy for brokers was created, establishing social and environmental criteria, in addition to the administrative-financial aspects of governance and compliance, in order to assess the degree of excellence and risk of the brokers and to determine to what extent they will work with the bank. Another initiative was the creation of the Brokers Committee, made up of top Santander executives. The committee is responsible for ratifying the quality of brokers, taking social and environmental criteria into consideration

FS13: Access to economically underprivileged areas.

The year 2009 was a landmark for Santander's microcredit operations. RealMicrocrédito closed the period with profits of R$ 4.6 million and an active portfolio of 84,500 customers and R$ 84.7 million. The delinquency rate fell from 11.3% at the beginning of the year to 7.8% at the close of 2009. There are 22 microcredit service points in total.

Microcredit, number of customers

Sector	Customers
Food and beverages	23,667
Education	145
Health and beauty	10,471
Textiles	30,338
Transport	617
Others	19,285

Microcredit

Sector	Financial volume (in thousands of R$)
Food and beverages	22,967,8
Education	196,4
Health and beauty	10,340,5
Textiles	30,482,4
Transport	384,1
Others	20,354,0
Total Microcredit	84,725,2

Microcredit by gender

Gender	Customers	Financial volume (in thousands of R$)
Men	27,754	28,230,2
Women	56,730	56,441,9

* 49 customers did not state their gender on registration

FS14: Access for the disabled.

Access for the disabled

% branches with access for the disabled*	98.8
% administrative buildings with access for the disabled	100

* % does not include PABs and PAPs

FS15: Development and sale of products and services.

The Santander Products Committee serves to guarantee products and services are managed under the highest standards of excellence and in compliance with norms, in addition to approving procedures in relation to activities or topics that deal with the adaptation and control of products.

FS16: Financial Education

In 2009, the bank conducted a financial education activity for all RealMicrocrédito employees. The program consisted of the training of company managers (33 people), and these, in the role of multipliers, were then responsible for training the remaining employees, resulting in 250 people being trained.

One of the objectives of the initiative was the creation of a sustainable relationship of trust and guidance between the credit agents and their customers, focusing on the development of a healthy and balanced financial life, both in the management of business and personal affairs. The program will be continued in 2010 through the development of a second module, which will include topics such as citizenship, environment, responsible consumption and health, with the direct involvement of the bank's customers.

Environmental Performance Indicators

Aspect: Materials

EN1: Materials used by weight or volume.

Material	Quantity
New toner cartridges	39,129
Remanufactured toner cartridges	31,247
Certified white paper (t)	2,442
White paper (t)	398
Recycled paper (t)	978

Considera consumo de bobinas, pacotes de envelopes de Caixa Rápido e extratos, pacotes de papel ofício, A4, carta e A5.

EN2: Percentage of recycled materials used.

Consumption of toner cartridges	39,129
Consumption of remanufactured toner cartridges	31.247
44.4 % recycled/reused of total	
Consumption of certified white paper and white paper	2,840
Consumption of recycled paper	978
25.6% reciclado/total	

Includes consumption of spools, packets of deposit envelopes and statements foolscap, A4, letter and A5 paper.

Aspecto: Energia

EN3: Direct energy consumption by primary energy source.

Location	Energy consumed (Gj)	Energy consumed (kWh)	Specific consumption (GJ/employee)**
Branches	700,660	194,627,700	21,5
Administrative buildings	302,502	84,027,686	15,2

*The amount stated includes Banco Real and Santander branches.
**Consumption per employee.

EN4: Indirect energy consumption by primary source.

Location	Energy consumed (Gj)	Energy consumed (kWh)
Administrative buildings - public utility	186.883*	51.911.378
Administrative buildings - renewable	15.619**	32.116.308

*The amount stated includes 16 buildings: Aymoré - SP, Amsterdam - SP, Boa Vista - SP, Alvares Penteado, Savassi-BH, Rio Branco - RJ (Real), Moinho dos Ventos- RS (until Jun/09), Torre Santander SP (from Nov/09), Casa 1- SP, Casa 2- SP, Casa 3- SP, Casa 4- SP, Altino Arantes, Centro Cultural RS, Rio Branco RJ (Santander) and Generalli - SP. In addition, Campos Salles - SP (until Feb/09) and Presidente Wilson RJ (until March/09).
**The amount stated includes the Paulista and Brigadeiro buildings only.

EN6: Initiatives to provide energy or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.

Aymoré has 992 flexible-fuel cars and the bank has 41 gasoline-fueled cars. Flexible-fuel cars use ethanol by preference, a renewable fuel.

EN7: Initiatives to reduce indirect energy consumption and the reductions achieved.

Systems to control the consumption of electricity were installed in over 400 branches using medium-voltage distribution and operational managers received guidance on how to turn on the air-conditioning system just before opening time and to turn it off before the peak period. These measures would lead to the branches reducing their consumption of electricity.

The layout and air-conditioning systems of the Paulista and Casa 1 buildings, which house data centers, were redesigned, which also resulted in economies.

Aspect: Water

EN8: Total water withdrawal by source.

The Santander units are located in urban areas, thus, the water consumed comes from public utility suppliers.

Location	Water consumed (m3)	Specific consumption**
Branches	967.122**	29,66
Administrative buildings	234.056***	11,80

**Consumption per employee.
**The number stated represents the consumption of the Banco Real and Santander units.
***The value given includes 15 Banco Real and Santander buildings: Paulista - SP, Brigadeiro - SP, Aymoré - SP, Amsterdam - SP, Boa Vista - SP, Alvares Penteado, Savassi-BH, Moinho dos Ventos- RS (until June/09), Torre Santander SP (from Nov/09), Casa 1- SP, Casa 2- SP, Casa 3- SP, Casa 4- SP, Altino Arantes and Centro Cultural -RS

Aspect: Biodiversity

EN11: Location and size of land owned, leased or managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

Total area occupied by the Fernando de Noronha branch: 270.18 m^2

EN12: Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.

EN13: *Habitats protected or restored.*

EN14: Strategies, current actions and future plans for managing impacts on biodiversity.

The Banco Real branch in Fernando de Noronha is the only banking facility on the island. As Fernando de Noronha is a national environmental sanctuary, we decided to acquire the ISO 14001 standard for activities of building maintenance, cleaning, security, pest control and management of the branch building. This underlines our commitment to sustainable practices, adds value to our brand and helps develop the environmental awareness of everyone involved with the branch.

The process saw several improvements to procedures and infrastructure at the branch and offered environmental audit training to employees and island residents working in guest houses, travel agencies and local government.

The ISO 14001 standard was obtained in December 2008 and renewed in December 2009.

Aspect: Emissions, Effluents and Waste

EN16: Total direct and indirect greenhouse gas emissions by weight.

Direct emissions

Source	Emissões (tCO_2)
Generators	298
Vehicle fleet*	606

Indirect emissions

Source	Emissões (tCO_2)
Electricity	6.855
Organic waste**	3.950
Compras de energia (terceiros)	166

*Includes helicopter
**Includes Contax buildings, where we have Call Center staff.

EN17: Other relevant indirect greenhouse gas emissions by weight.

Other indirect emissions

Source	Emissões (tCO_2)
Air travel	27.321
Transport*	216

*Papa-Pilhas logistics

EN18: Initiatives to reduce greenhouse gas emissions and reductions achieved.

We have been conducting activities to promote the rational use of electricity in our administrative buildings and branches, such as the replacement of equipment, separate lighting and air conditioning systems, optimized layouts, etc, since 2003.

In order to reduce CO2 emissions caused by our employees traveling to and from work, we introduced a car ride system at our administrative buildings, called Amigo Carona (Friendly Ride). We have put aside 300 personalized spaces in the Torre Santander parking lot for vehicles participating in this scheme.

EN19: Emissions of ozone-depleting substances by weight.

We do not have significant emissions of these gases.

EN20: NOx, SOx and other significant air emissions by type and weight.

We do not have significant emissions of these gases.

EN21: Total water discharge by quality and destination.

Water used for purposes of cleaning or personal hygiene in our administrative buildings or branches is drained to the public drainage system. Rainwater captured by pluvial water systems in the administrative buildings and branches is drained to the public rainwater network.

EN22: Total weight of waste by type and disposal method.

Generation of waste

Total waste (t)*	1909
Recyclable waste (t)**	685
% of recyclable waste	35.9

*The figures stated include 13 buildings: Paulista, Brigadeiro, XV de Novembro (Aymoré+Amsterdam) , Boa Vista, Savassi BH, Rio Branco RJ, Moinho de Vento RS (until June/09), Casa 1, Casa 2, Casa 3, Casa 4, Generalli and Altino Arantes. Also includes Campos Salles-SP (until Feb/09). Trash generated refers to waste people working in these buildings throw away into bins placed around the work stations, bathrooms, kitchens and common areas. It also includes waste generated in the restaurants and snack bars in these buildings. Materials considered to be recyclable: The main materials are paper, cardboard, packaging, plastics, disposable plastic cups, soft drinks cans, glass bottles and PET bottles Non – recyclables are dispatched to sanitary landfills. Electronic waste is not included as it is not disposed of in the above-mentioned bins.
**The figures stated includes 13 buildings: Paulista, Brigadeiro, XV de Novembro (Aymoré+Amsterdam) , Boa Vista, Savassi BH, Rio Branco RJ, Moinho de Vento RS (until June/09), Casa 1, Casa 2, Casa 3, Casa 4, Generalli and Altino Arantes. It also includes Campos Salles-SP (until Feb/09).

EN23: Total number and volume of significant spills.

Not Applicable.

Aspect: Products and Services

EN26: Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation.

We have been conducting activities to promote the rational use of electricity in our administrative buildings and branches, such as the replacement of equipment, separate lighting and air conditioning systems, optimized layouts, etc, since 2003.

In order to reduce the use of paper for printing, we use network printers that automatically print on both sides of the paper and require employees to use an access ID card.

In order to reduce CO_2 emissions caused by our employees traveling to and from work, we introduced a car ride system at our administrative buildings, called Amigo Carona (Friendly Ride). We have put aside 300 personalized spaces in the Torre Santander parking lot for vehicles participating in this scheme.

EN27: Percentage of products sold and their packaging materials that are reclaimed by category.

We do not have a significant production of packaging materials. However, we do count paper used in bank statements, deposit envelopes, included in Indicator EN1 – Consumption of Paper.

Aspect: Compliance

EN28: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

In 2009, the value related to environmental fines was R$ 9,000, in relation to administrative processes related to the environment.

Transport

EN29: Significant environmental impacts from the transport of products and other goods and materials used in the organization's operations, and the transport of employees.

Direct emissions

Source	Emissions (tCO_2)
Vehicle fleet*	606

Outras emissões indiretas

Source	Emissions (tCO_2)
Air Travel	27,321
Transport**	216

*Includes helicopter
**Papa-Pilhas logistics

Aspect: General

EN30: Total environmental protection expenditures and investments by type.

Environmental investment (in thousands of R$)

Investment in environmental certificates	280,8

Independent Auditors´ Limited Assurance Report

Deloitte.

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INDEPENDENT AUDITORS' LIMITED ASSURANCE REPORT ON THE GRI INDICATORS INCLUDED IN THE 2009 ANNUAL REPORT.

To the Management and Shareholders of
Banco Santander (Brasil) S.A.
São Paulo, SP

1. We have reviewed the procedures used by the Management of Banco Santander (Brasil) S.A. (the "Bank") to obtain and aggregate information and prepare the GRI indicators included in the Annual Report for the year ended December 31, 2009. The information on the GRI indicators included in the 2009 Annual Report has been prepared under the responsibility of the Bank's Management. Our responsibility is to issue a limited assurance report on the procedures used by the Bank's Management to obtain and aggregate the information relating to the GRI indicators defined by the Global Reporting Initiative - GRI – Release G3, included in the GRI indicators in the 2009 Annual Report.

2. Our review was conducted in accordance with Operating Standard and Procedure 1 ("NPO 1") - "Assurance Services Other Than Audit or Review of Historical Financial Statements", issued by the Brazilian Institute of Independent Auditors (IBRACON) and approved by Federal Accounting Council's Resolution 1160/09, of February 13, 2009, and consisted principally of: (a) discussion with the Bank's Management on the definition of its framework and content of information related to its social, economic and environmental performance for inclusion in the GRI indicators included in the 2009 Annual Report; (b) inquiry of and discussions with certain officials who have responsibility for accounting, financial and operating areas of the Bank about the main internal control systems used to obtain, validate and aggregate information; (c) comparison of significant accounting information to the financial statements prepared by the Bank's Management; and (d) review of the information and subsequent events that had or might have material effects on the information disclosed by the GRI indicators included in the 2009 Annual Report. The procedures performed during our review were considered sufficient to provide a limited assurance level and, accordingly, do not comprise those that might be required to provide a higher assurance level.

3. Our review was limited solely to the procedures used by the management of Banco Santander (Brasil) S.A. to obtain and aggregate information relating to the indicators defined by the Global Reporting Initiative – GRI – Release G3, included in the GRI indicators in the 2009 Annual Report prepared by the Management of Banco Santander (Brasil) S.A. and does not include any analysis and evaluation of the Company's social responsibility policies and procedures, also concerning projections, future plans, opinions, historical information and descriptive information disclosed in the GRI indicators included in the 2009 Annual Report, subject to subjective evaluations. Since this review did not represent an examination in accordance with Brazilian auditing standards, we are unable to express, and do not express, an opinion on the information included in the GRI indicators included in the 2009 Annual Report or on accounting information included by reference or disclosed in this report. Based on our review procedures described in paragraph 2, we are not aware of any matters that would cause to believe that the procedures defined and used

by the Management of Banco Santander (Brasil) S.A. are not effective, in all material respects, to obtain and aggregate information and prepare the GRI indicators included in the Annual Report for the year ended December 31, 2009, in accordance with criteria defined by the Global Reporting Initiative - GRI – Release G3.

4. The procedures defined and used by the Management of Banco Santander (Brasil) S.A. to obtain and aggregate the information included in the GRI indicators included in the Annual Report for the year ended December 31, 2009 were not reviewed by us or any other independent auditors.

5. This report has been translated into English for the convenience of readers outside Brazil.

São Paulo, June 10, 2010

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes
CRC nº 2 SP 011609/O-8

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

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