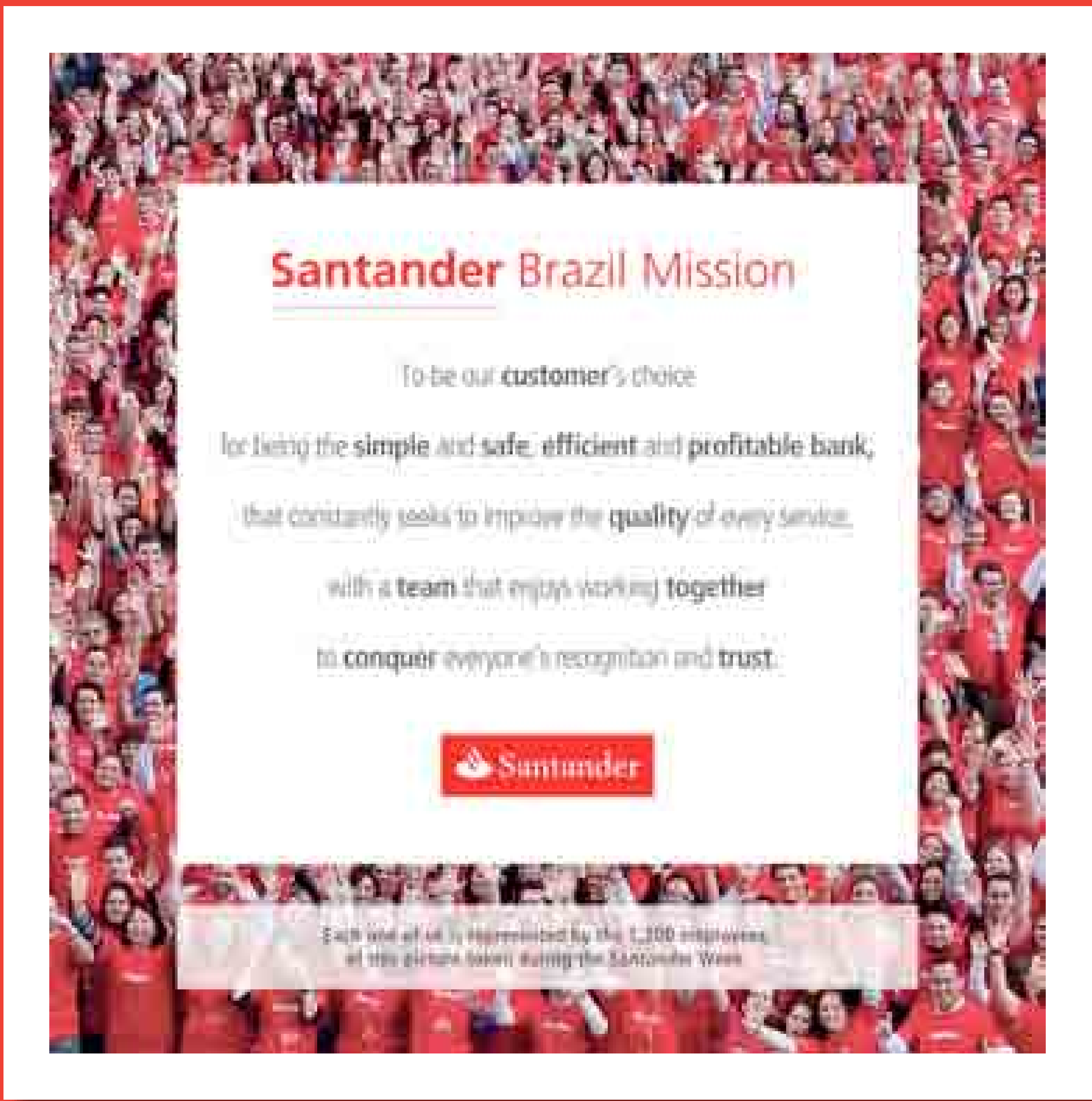
Santander

simple safe efficient profitable

2011 ANNUAL REPORT


Santander Brazil Mission
To be our customer's choice
for being the simple and safe, efficient and profitable bank,
that constantly seeks to improve the quality of every service,
with a team that enjoys working together
to conquer everyone's recognition and trust.
Santander

Index

GRI INDEX – The information concerning the GRI (Global Reporting Initiative) performance indicators is highlighted at the end of the respective text. Please see the GRI Cross-Reference List for information on the Corporate Sustainability Index (ISE in Portuguese), Green Protocol, and CDP (Carbon Disclosure Project).

EVENTS IN 2011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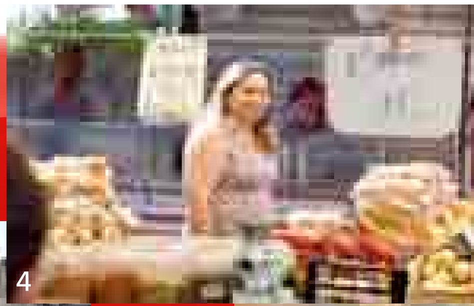
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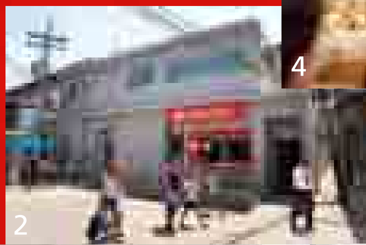
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1


3

5

JANUARY

- Partnership with the Raízen group for the launching of the Shell/Santander credit card

FEBRUARY

- Marcial Portela took office as President of Santander in Brazil
- Technological integration
- Partnership with Zurich Insurance

MARCH

APRIL

- Creation of the Committee for Corporate Governance and Sustainability
- Creation of the Risk Committee

MAY

- The branch in the *Complexo do Alemão* shanty town in Rio de Janeiro celebrated its first anniversary
- Creation of the Quality Assurance area and Customer Experience Management

JUNE

- First anniversary of the launching of the *Caminhos & Escolhas* platform
- Santander Microcredit portfolio reaches the R$ 1 billion mark
- The Santander Libertadores Cup

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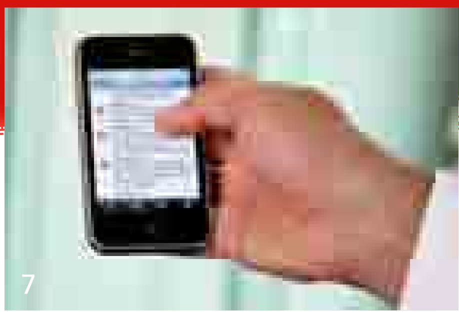

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JULY

- Partnership with the Greenvana portal

AUGUST

- Partnership with Vivo in the card segment
- Launching of the Sustainability Business Plan
- Launching of Santander 3.1
- Launching of the *Santander Móvel* mobile banking service
- Adoption of the ABRASCA Code for Self-Regulation and Good Practices for Listed Companies

SEPTEMBER

OCTOBER

- *Amigo de Valor* Program achieves a record number of participants, mobilizing 30,000 employees
- Celso Giacometti takes office as the Chairman of the Board of Directors

NOVEMBER

- Sponsoring of Neymar
- The Brazilian Formula 1 Grand Prix
- 10 years of the Ethical Fund
- Sponsorship of the *Museu do Amanhã*, in the Port Zone of Rio de Janeiro
- ABRASCA Award for Best Annual Report 2.10
- ABERJE Award – Regional Category

DECEMBER

- Opening of the branch in the Vila Cruzeiro shanty town in Rio de Janeiro
- Christmas in Ibirapuera, in São Paulo, and in Morro do Alemão, in Rio de Janeiro
- For the second consecutive year, we have been included in the BM&FBOVESPA's Corporate Sustainability Index
- Disclosure of the Santander Brazil's new Mission

Photo: Pisco del Gaiso

WE ENDED THE YEAR 2011 WITH GROWTH OF 5.1% IN NET INCOME AND AN INCREASE OF 6.7% IN TOTAL ASSETS

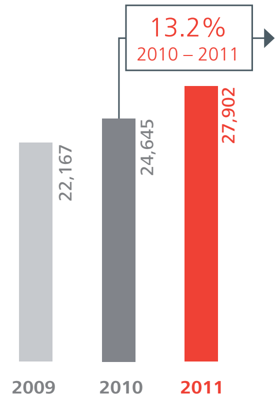
MAIN INDICATORS

The financial information presented in this Annual Report is in accordance with International Accounting Rules, prepared in accordance with International Financial Reporting Standards (IFRS), which differ in material aspects from the Accounting Practices Adopted in Brazil (BR GAAP).

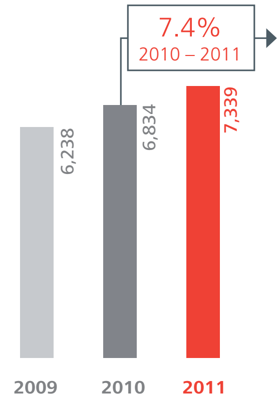
We believe that the IFRS standard is the most appropriate set of criteria to represent the equity and earnings situation of Banco Santander (Brasil) S.A. Furthermore, the adherence to Level 2 of BM&FBovespa's Corporate Governance for the IPO in October 2009, and the listing of the Units in the form of ADSs, on the New York Stock Exchange, require the publication of the bank's results in accordance with this international standard. As requested by the Brazilian regulatory bodies, individual financial statements also continue to be prepared in accordance with BR GAAP.

The complete financial statements in IFRS and BR GAAP for 2011, are available on website link: www.santander.com.br/ir.

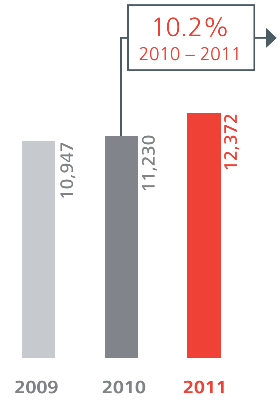
NET INTEREST INCOME
(IN R$ MILLION)



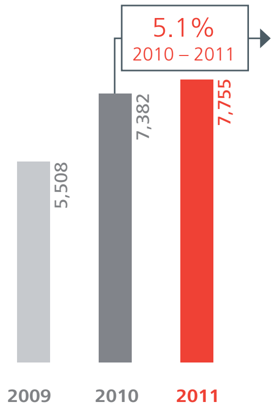
NET FEES
(IN R$ MILLION)



ADMINISTRATIVE AND PERSONNEL EXPENSES *(IN R$ MILLION)*

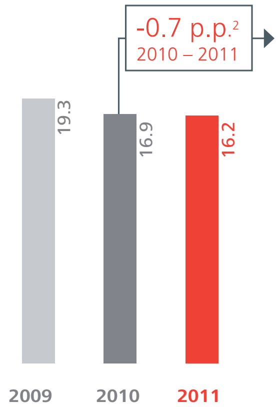


NET PROFIT
(IN R$ MILLION)

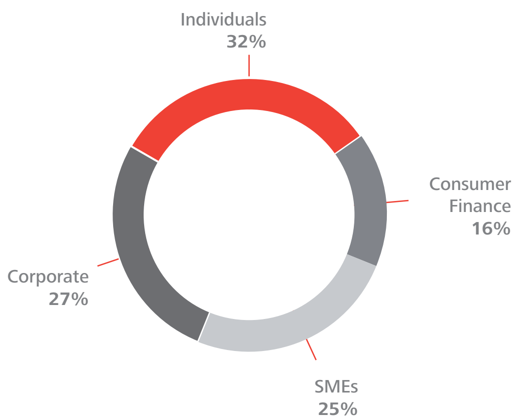


EFFICIENCY RATIO
(EM %)

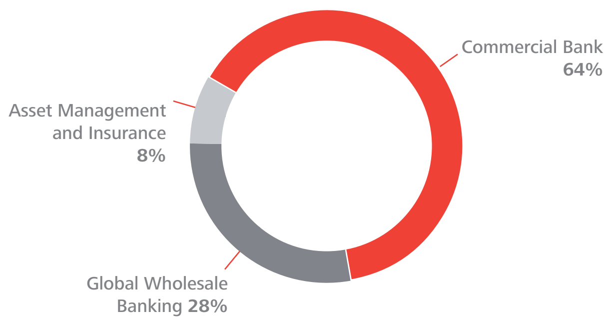
ROAE[1]
(EM %)



LOAN PORTFOLIO BREAKDOWN
2011



PROFIT BEFORE TAX BY SEGMENT
2011



[1] Net profit divided by average total equity, excluding goodwill.
[2] Percentage points.

MANAGEMENT ANALYSIS	2011	2010	Var. 2011 x 2010
RESULTS (In R$ million)			
Net interest income	27,902	24,645	13.2%
Net fees	7,339	6,834	7.4%
Allowance for loan losses	(9,383)	(8,783)	6.8%
Administrative and personnel expenses	(12,372)	(11,230)	10.2%
Net profit	**7,755**	**7,382**	**5.1%**
BALANCE SHEET (In R$ million)			
Total assets	399,886	374,663	6.7%
Securities	75,257	89,823	-16.2%
Loan portfolio[1]	194,184	160,559	20.9%
Individuals	63,413	50,981	24.4%
Consumer finance	30,459	26,969	12.9%
SMEs	47,940	38,178	25.6%
Corporate	52,373	44,431	17.9%
Expanded Credit Portfolio[2]	208,862	172,174	21.3%
Funding from Clients[3]	180,508	159,882	12.9%
Total final equity	78,032	73,364	6.4%
Total average equity excluding goodwill[4]	47,741	43,563	9.6%
PERFORMANCE INDICATORS (%)			
Return on shareholders' average equity	10.2%	10.3%	-0.1 p.p.
Return on shareholders' average equity excluding goodwill[4]	16.2%	16.9%	-0.7 p.p.
Return on average asset	2.0%	2.2%	-0.2 p.p.
Efficiency Ratio[5]	34.0%	34.2%	-0.2 p.p.
Recurrence[6]	59.3%	60.9%	-1.5 p.p.
BIS ratio excluding goodwill[4/13]	19.9%	22.1%	-2.2 p.p.
PORTFOLIO QUALITY INDICATORS (%)			
Delinquency[7] - IFRS	6.7%	5.8%	0.9 p.p.
Delinquency[8] (more than 90 days) - BR GAAP	4.5%	3.9%	0.6 p.p.
Delinquency[9] (more than 60 days) - BR GAAP	5.5%	4.7%	0.8 p.p.
Coverage ratio IFRS[10]	85.5%	98.3%	-12.8 p.p.
Coverage ratio BR GAAP	136.8%	137.1%	-0.3 p.p.
OTHER DATA			
Assets under management - AUM (In R$ million)	113,022	111,338	1.5%
Numbers of credit and debit cards (thousand)	41,699	37,294	11.8%
Branches	2,355	2,201	154
PABs (mini branches)	1,420	1,495	(75)
ATMs	18,419	18,312	107
Total Customers (thousand)	25,299	23,038	2,260
Total current account (thousand)[11]	19,322	18,085	1,236
Employees[12]	54,602	54,406	196

[1] Management information.
[2] Includes other Credit Risk Transactions with clients ("Debenture", FIDC, CRI, Floating Rate Notes and Promissory Notes) and acquired portfolio.
[3] Includes savings, demand deposits, time deposits, debenture, LCA, LCI and Treasury Notes (Letras Financeiras - LFT).
[4] Goodwill from the acquisition of Banco Real and Real Seguros Vida e Previdência. In 2011 exclude only the goodwill of the aquisition of Banco Real. In accordance with the Brazilian Central Bank, the BIS ratio, including the goodwill, is 28.4% in Dec/10 and 24.8% in Dec/11.
[5] General expenses / total income.
[6] Net commissions / General expenses.
[7] (Portfolio overdue by more than 90 days plus loans with high default risk) / credit portfolio.
[8] Portfolio overdue by more than 90 days / credit portfolio in BR GAAP.
[9] Portfolio overdue by more than 60 days / credit portfolio in BR GAAP.
[10] Allowance for loan losses / (portfolio overdue by more than 90 days plus loans with high default risk).
[11] Active and inactive current account during a 30-day period, according to the Brazilian Central Bank.
[12] Considering Banco Santander (Brasil) S.A. and its subsidiaries consolidated in the balance sheet.
[13] Excluding the effect of goodwill as international rules on capital base I.

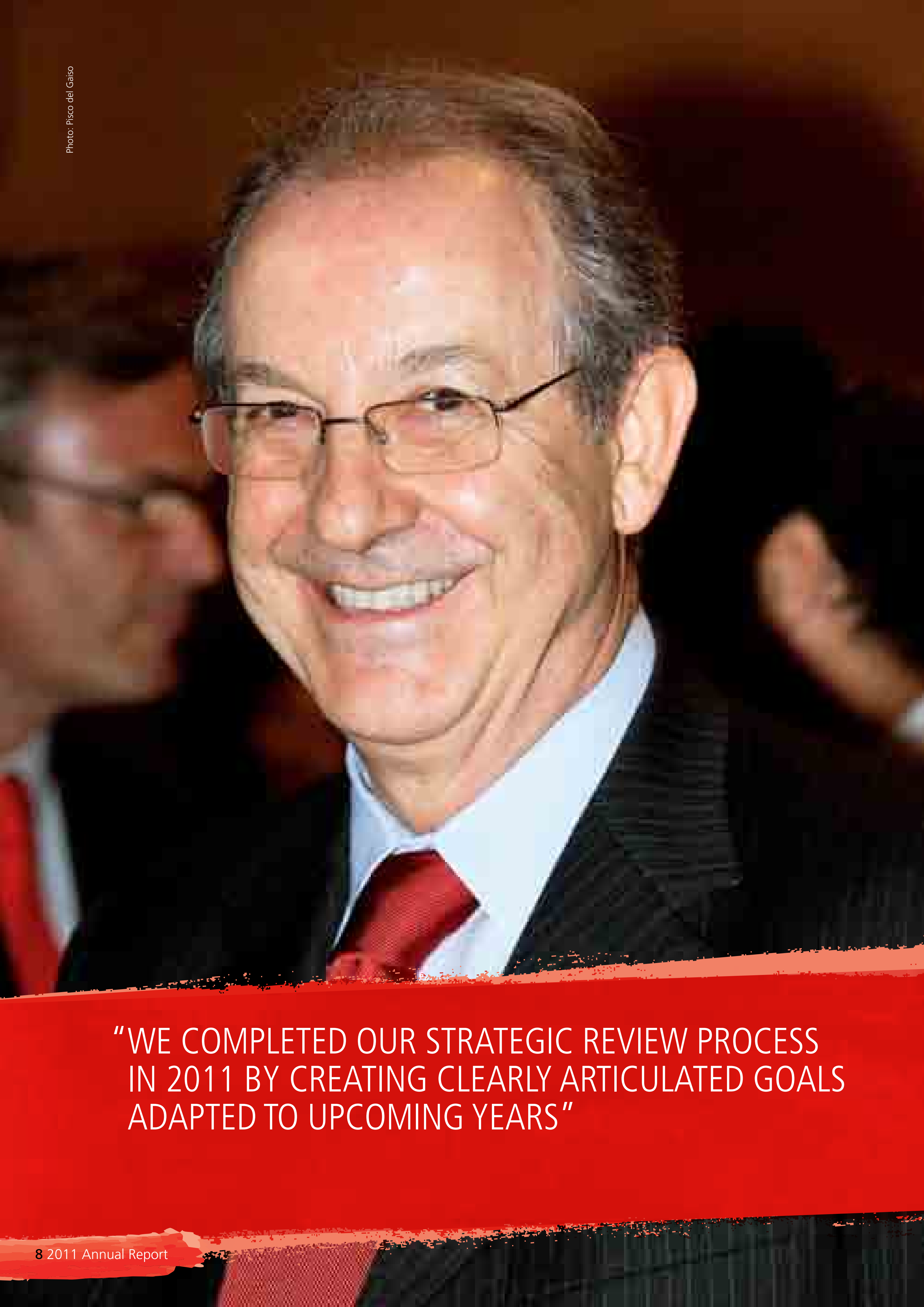


Photo: Pisco del Gaiso

"WE COMPLETED OUR STRATEGIC REVIEW PROCESS IN 2011 BY CREATING CLEARLY ARTICULATED GOALS ADAPTED TO UPCOMING YEARS"

Message from the Chairman of the Board of Directors

Our country had plenty to celebrate in the year 2011 in economic, social, political, and environmental terms. Even in the face of the adversities of a less-than-favorable global scenario, we have managed economic and corporate factors prudently, minimizing the effects of further deterioration of the external environment.

The decrease in the interest rate, the performance of foreign trade – particularly regarding the increase of commodities – and the continued expansion of the purchasing power of the middle classes, with a reduction in poverty levels and strengthening of the consumer market, all represented significant variables enabling the country to achieve economic growth.

We completed our strategic review process in 2011 at Santander by creating clearly articulated goals adapted to upcoming years. This process involved the bank´s top executives welcoming and encouraging the participation of professionals from various sectors. We also reviewed our mission, reinforcing the values and principles which will guide our day-to-day activities. This is our commitment to the manner in which we intend to deliver our results in Brazil – the way we do things– and it reaffirms our quest for simplicity, security, efficiency and profitability, and last but not least, for transforming discourse into practice.

As we believe financial inclusion is a prerequisite for the sustainable development of the Brazilian population, we have adapted our structure in order to operate in communities once deprived of banking services, with the direct participation of community members and employees. This initiative reinforces the process of providing improved access to banking services available in the country, and involves communities, people, clients, social well-being programs, and the generation of opportunities.

We have continued to improve and strengthen our Corporate Governance practices, headed by the Board of Directors and its Committees and Executive Board. This is reflected in transparency, accountability, respect for all our stakeholders, and the adoption of corporate responsibility as core components of our long-term vision.

Recently, as a corporation listed on Corporate Governance Level 2 on the São Paulo Stock Exchange (BMF&Bovespa), we took another major step toward achieving a free-float of 25% by 2014. Our shareholder Banco Santander S.A. transferred 4.41% of Banco Santander Brasil´s capital to a third party, enabling us to register a free-float of 22.75% in early 2012.

A special word of thanks is due to all those employees who chose Santander at which to develop their careers. High-quality customers and services are obtained by employing high-quality personnel, and in 2011 we made significant progress, merging the entire workforce into a single culture. I would like to make the most of this opportunity to thank our customers for their loyalty, our shareholders for their support and trust, and all other players with whom we have been working, both directly and indirectly, throughout the year.

These relationships have been vital in helping us to overcome challenges, make achievements, and obtain results in a sustainable manner. In 2012, we intend to speed up the execution of our strategy, to continue to invest in people, to work to satisfy our customers and to create value for our shareholders. We hope that together we may achieve our mission of creating a bank that is even more solid, thereby contributing to the growth of the country and its inclusion in and influence on the global economy. 1.1 2.9 4.8

Celso Clemente Giacometti
Chairman of the Board of Directors

São Paulo, April 2012.

Photo: Pisco del Gaiso

"AFTER SO MANY CHALLENGES, WE HAVE CONCLUDED THE INTEGRATION STAGE AND ENTERED THE PHASE OF STABILIZATION, WHICH PRECEDES THE FINAL PHASE, TO BE REACHED IN 2012: CRUISING SPEED"

Message from the CEO

The year 2011 marked the beginning of a new phase for Santander in Brazil. We completed the integration with Banco Real, a complex process which combined the best practices of the two banks, and continued expanding across the country. We also invested in technology and in the diversification of the products and services we offer, covering the various segments in which we operate. We reorganized processes and incorporated various improvements in the way we conduct business. After so many challenges, we have concluded the integration stage and entered the phase of stabilization, which precedes the final phase, to be reached in 2012: cruising speed.

As seen in this report, we are already accelerating. In 2011, we achieved a 20.9% increase in our loan portfolio – outperforming the market, which grew by 19.0% – and increased our market share in the small- and medium-size companies segment. We also expanded our Corporate portfolio by 17.9% and we delivered a good performance in real estate businesses and *Santander Financiamentos*.

Results such as these have provided us with even more confidence to undertake consistent commitments for the years to come. We want to be the preferred bank of customers by 2013, a goal which forms the basis of an ambitious project launched in 2011, Santander 3.1. In practice, we seek to be a streamlined and flexible bank, capable of meeting the needs of our customers in a timely and efficient manner.

In addition to achieving significant financial results, in 2011 we also began some important projects, including strengthening our permanent commitment to Rio de Janeiro. We have grown in a structured form in this state, through the opening of new branches, generation of direct jobs, investment in the exploration of oil reserves and its entire production chain, and in creating a closer relationship with governments, companies, and society in general. One of the actions of particular note this year was the inauguration of our branch in Vila Cruzeiro in December, where the local community now has access to banking products and services as well as space for offering courses, training and cultural workshops.

This period was also important in reaffirming our capacity to devise and implement sustainable businesses, bringing the learning of more than a decade on sustainability issues to the bank's core business. We have developed products and processes in the Retail and Wholesale segments which enable us to identify opportunities in various sectors of the economy, so that businesses and customers can perfect their socio-environmental management and increase their efficiency. Certainly, our journey through 2011 was not free of mishaps. We sought to minimize the negative impact on service quality during the consolidation of our client base into a single technological platform. Today, we are better structured to generate business and achieve efficiency gains in customer service. And that's where we begin 2012.

Our plans for the coming year include an investment of R$ 3 billion in Brazil, which will fund technology, commercial initiatives, the remodelling of existing branches, and the opening of new ones. During the 2012/2013 period, the target is to increase net profit and revenues by approximately 15%, and expand the base of active current account-holders to 10.1 million. This is just the start.

We are very confident because we have a major opportunity to expand our businesses. It is worth remembering that we are the most solid bank in the country; we have a growing sales force, supported by a service network of more than 3,700 branches and banking service centers (PABs – mini branches). We have an advanced technological platform and systems that are totally stabilized. We have a robust investment agenda. We have created an experienced and capable team, with more than 54,000 employees. We are part of an international group, which enables us to share experiences and achieve synergy gains, and we represent a powerful brand name, increasingly admired in Brazil, as our market research shows.

With the motivation and engagement of our employees, I am certain that we will reach our goals and achieve our aspirations. It is they who will maintain us on the right path. And they are the ones who will help us build the best and most efficient bank in Brazil. 1.1 1.2

Marcial Angel Portela Alvarez
Chief Executive Officer

São Paulo, April 2012.

Photo: Pisco del Gaiso

WE HAVE A PRIVILEGED POSITION IN BRAZIL, AND WE ARE GROWING AT A FAST PACE: IN TWO YEARS, WE HAVE OPENED MORE THAN 250 BRANCHES

ORGANIZATIONAL PROFILE

Performing in all sectors

OUR ACTIVITIES INVOLVE THE VARIOUS AREAS OF THE BRAZILIAN FINANCIAL SYSTEM, WITH FOCUS ON RETAIL, AND STRONG PERFORMANCE IN WHOLESALE BANKING

In Brazil, Santander is the third largest bank in the private sector in terms of assets, with a share of 10.5% of the total credit in the Brazilian banking system, according to figures from the Brazil's Central Bank for December 2011[1]. Today, we have more than 54,000 employees, and we are present in every sector of the Brazilian financial market, operating in the Retail, Wholesale, Asset Management and Insurance segments. 2.1 2.7 2.8 2.9

In the last three years, we have invested funds and worked very hard to complete the integration with Banco Real. We have also carried out a thorough revision of processes in the network and in the central administration, combining the best practices of the two banks, and have completed the complex integration – the largest we have carried out in Brazil and certainly one of the most important for the Group in the world.

We finished the integration process in the first half of 2011, and the result is a bank which is even more sound, which aims for efficiency, simplicity, and flexibility in everything that it does. We have maintained our focus on generating sustainable businesses, and to this end, we have developed products and processes in the Retail and Wholesale segments, identifying opportunities in various sectors of the economy. We have also undertaken the commitment of becoming the bank of choice for customers, over the next three years.

In order to achieve these goals, Santander has a privileged position in the Brazilian market, and has achieved a strong rate of expansion over the last two years. We opened 110 branches in 2010 and a further 154 in 2011, as part of our expansion plan for the next few years. In total, we have 2,355 branches, 1,420 PABs (mini branches), 18,419 ATMs spread across the country, and more than 19.3 million account-holders, of which 1.2 million opened their accounts in 2011.

We are also the largest international financial conglomerate in Brazil, with a significant presence in 10 key markets in Europe and the Americas: Spain, Brazil, Portugal, Germany, the United Kingdom, Mexico, Chile, Argentina, the United States and Poland. Our ordinary shares, preferred shares, and units are listed on the BM&FBOVESPA under the ticker codes SANB3, SANB4 and SANB11, respectively, while our ADRs are traded on the NYSE under the ticker code BSBR.

[1] Until the date of the closing of this report, the Brazil's Central Bank had not released data pertaining to December 2011.

WE HAVE 2,355 BRANCHES, 1,420 MINI BRANCHES (PABS), 18,419 ATMS, AND MORE THAN 19.3 MILLION ACCOUNT HOLDERS


Photo: Shutterstock

Rio de Janeiro

The Importance of Brazil 2.8

Brazil currently accounts for 28% of Santander Group's result[1], ahead of Spain (13%), the United Kingdom (12%) and Mexico (10%). In the last 10 years, the growing investments by the Group in the Brazilian economy have evidenced our strategy and our long-term commitment to the country.

In 2011, the bank reported a net income of R$ 7.8 billion, up 5.1% compared to 2010. Average Shareholders' Equity, excluding goodwill, totaled R$ 47.7 billion, while net profit margin grew by 13.2%, due mainly to the increase in revenues from credit lending, which rose by 19.1% in the period.

Management and financial soundness indicators have shown improvement. General expenses were up 10.2% compared to the previous year. The efficiency ratio[2] reached 34.0% in 2011, an improvement of 0.2 percentage points compared to 2010, while the recurrence ratio[3] amounted to 59.3%, down 1.5 percentage points. The bank's Basel Index, excluding goodwill, came to 19.9% in December 2011, down 2.2 percentage points compared to the previous year.

The loan portfolio expanded by 20.9% over 12 months, above the market average. Of particular note are loans in the small- and medium-sized enterprise segment, which showed an increase of 25.6%, and loans to individuals were 24.4% higher over the same period. In the funding area, the spotlight was on term deposits, which showed an increase of 21.8% over 12 months.

[1] Results from the operating areas.
[2] Efficiency: General Expenses/Total Revenue.
[3] Net commissions/general expenses.

A Santander branch in London, in the United Kingdom

GLOBAL CAPACITY 2.3 2.8

Having been in existence for 154 years, the Santander Group is the first financial conglomerate in the Eurozone and in Latin America, and the 12th largest bank in the world in terms of market capitalization, according to the Bloomberg ranking of December 2011. With operations established in 10 key markets in Europe and the Americas, the Santander Group has over 14,800 branches, almost 193,000 employees, and more than 102 million customers.

Santander today is the most solid bank in the Eurozone, with a core capital of 9%, as required by the European Banking Authority (EBA). According to the BIS II criteria, the Bank's indicator is 10.02%.

We obtained the best result under stress testing, which evaluates whether the bank has the capacity to generate results during crises. This demonstrates that we are in a comfortable situation to face the European crisis, and come out of it in a stronger position. As recognition of the Group's work, Santander was named the best bank in western Europe by the magazine The Banker.

The Group's operating model is founded on five key aspects focused on retail, capital discipline, risk management and control, efficiency, and geographical diversification. We balance our businesses in key markets, both mature and emerging, which enable us to maximize our revenues and results throughout economic cycles.

102
MILLION
ACCOUNT HOLDERS

14.8
THOUSANDS
BRANCHES AND PABS (MINI BRANCHES)

Photo: Laura López Benito

Secular olive trees in the district Ciudad Grupo Santander in Boadilla Del Monte, Madrid

GEOGRAPHICAL DIVERSIFICATION, THE RETAIL BANK MODEL, AND THE GENERATION OF NEW BUSINESS, HAVE ALL HELPED US TO FACE THE GLOBAL ECONOMIC DOWNTURN

SANTANDER IN THE WORLD

Santander's businesses in 2011

GRUPO SANTANDER RESULTS 2.8

SANTANDER POSTED AN ATTRIBUTABLE PROFIT OF EUR 5,351 MILLION IN 2011, 34.6% LESS THAN IN 2010, AFTER SETTING ASIDE EUR 3,183 MILLION FOR PROVISIONS.

- Of note was the EUR 1,812 million gross provision for real estate assets in Spain;
- The recurring profit was EUR 7,021 million (-14.2% in 12 months);
- Profit before provisions was EUR 24,373 million, one of the largest among international banks;
- Santander reached the core capital ratio of 9% set by the EBA six months ahead of the deadline (06/30/2012);
- The loan-to-deposit ratio was 117%, 18 p.p. lower than in 2009;
- The bank aims to increase its ROE to 12-14% in 2014 and its ROTE to 16-18%.

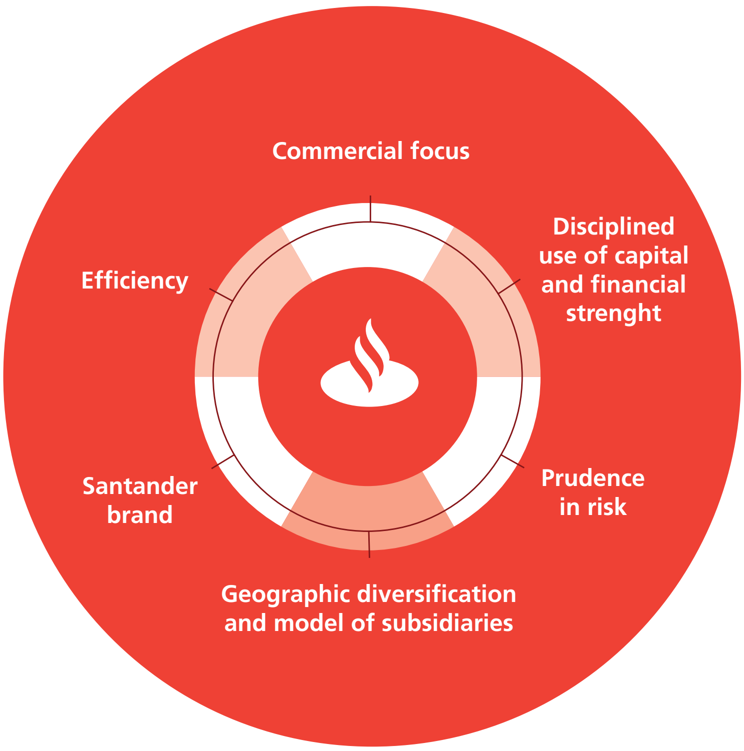
Grupo Santander conducted its business in 2011 against a backdrop of slower growth in the global economy, continuous tensions in the European sovereign debt markets and in the world's main stock markets and increasing regulatory pressure.

Geographic diversification, with the growing importance of emerging countries, Banco Santander's retail banking model and the incorporation of new businesses pushed up gross income to EUR 44,262 million, a new record.

Operating expenses grew 9.3% as a result of the integration of new businesses and investment in technology. However, the performance varied between countries such as Spain and Portugal, where they fell; mature countries where the Bank is strengthening its commercial franchise (Germany, the UK and the US), and emerging countries, where the Group continues to invest in increasing commercial capacities. The cost-to-income (efficiency) ratio was 44.9%, making Santander one of the world's most efficient international banks.

Profit before provisions was EUR 24,373 million, underscoring Grupo Santander's capacity to generate results. Banco Santander's attributable profit in 2011 was EUR 5,351 million. It would have been EUR 7,021 million (-14.2%) but for the fourth quarter EUR 1,812 million gross provision for real estate assets in Spain (which raised coverage of repossessed properties from 31% to 50%), as well as amortisation of EUR 601 million gross of goodwill of Santander Totta in Portugal. The Bank also assigned EUR 1,513 million net of capital gains to other provisions.

The Santander business model



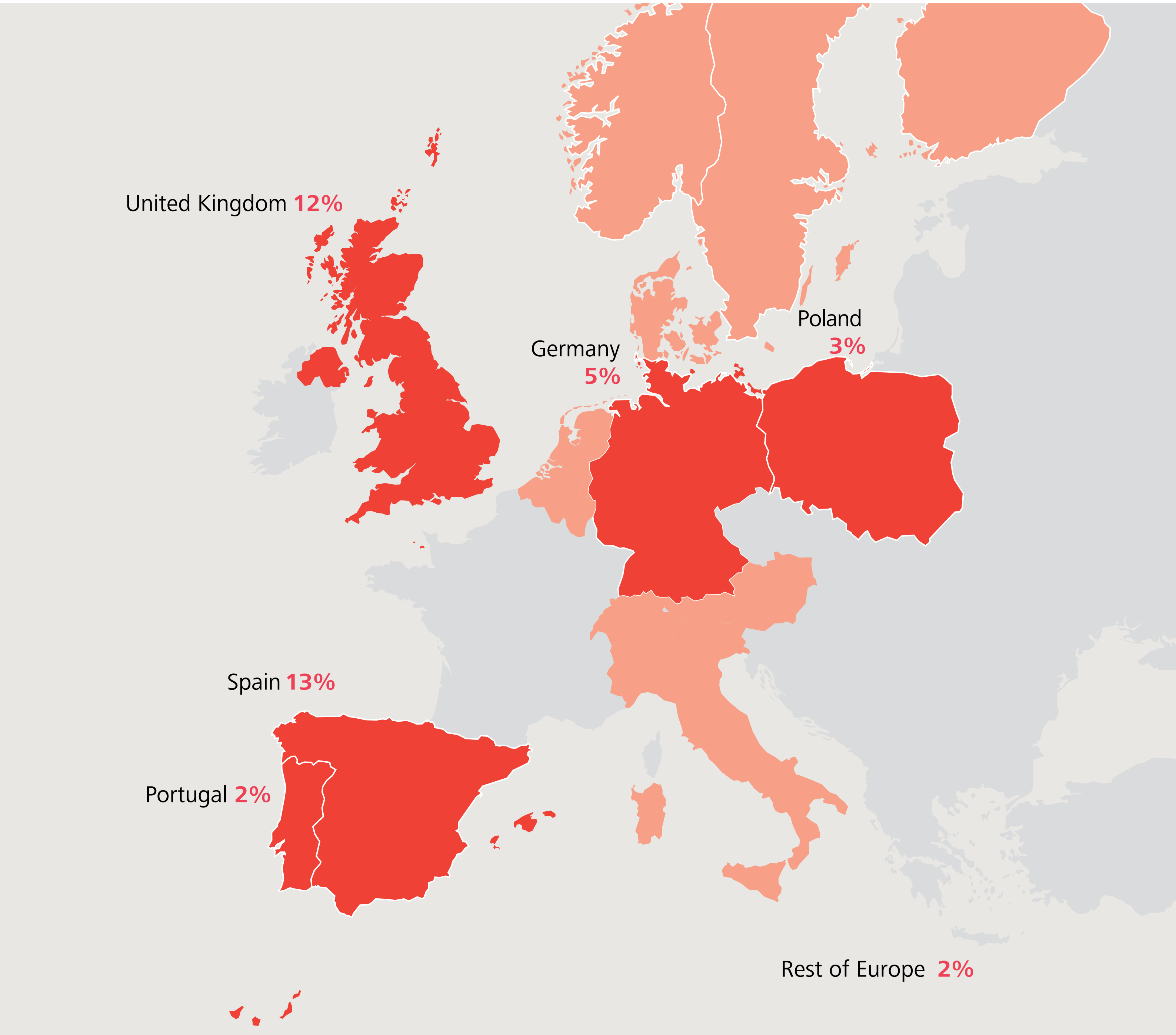
Geographic diversification

Grupo Santander has a geographic diversification balanced between mature and emerging markets (46% and 54% of profits, respectively, in 2011).

The Bank concentrates on 10 core markets: Spain, Germany, Poland, Portugal, the UK, Brazil, Mexico, Chile, Argentina and the US. The global areas also develop products that are distributed in the Group's commercial networks and tend to global sphere clients. 2.5 2.7

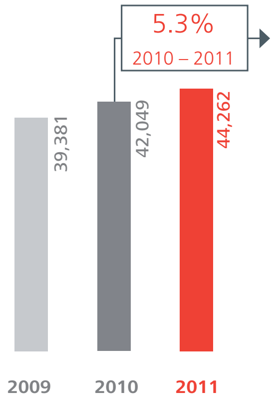
Main countries.

Other countries where Banco Santander has retail banking businesses: Peru, Puerto Rico, Uruguay, Colombia, Norway, Sweden, Finland, Denmark, Netherlands, Belgium, Austria, Switzerland and Italy.

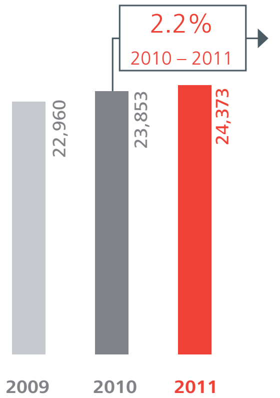


SANTANDER POSTED AN ATTRIBUTABLE PROFIT OF EUR 5,3 MILLION IN 2011 AND ASSIGNED EUR 3,2 MILLION TO PROVISIONS, WHILE STRENGTHENING ITS SOLVENCY AND MAINTAINING SHAREHOLDER REMUNERATION AT EUR 0.60 PER SHARE FOR THE THIRD YEAR RUNNING

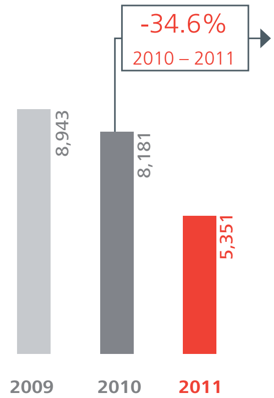
GROSS INCOME
MILLION EUROS



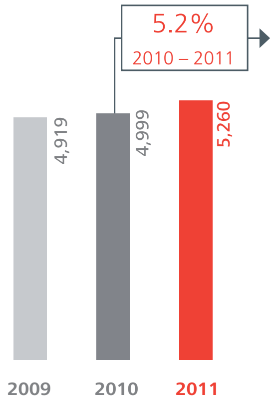
NET OPERATING INCOME
MILLION EUROS



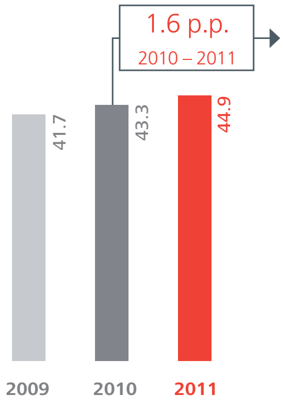
ATTRIBUTABLE PROFIT
MILLION EUROS



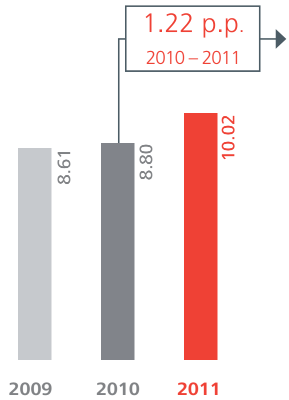
TOTAL DIVIDEND PAYOUT
MILLION EUROS



EFFICIENCY
(%)



CORE CAPITAL
(%)



BALANCE SHEET AND INCOME STATEMENT (MILLION EUROS)	2011	2010	% 2011/2010	2009
Total assets	1,251,525	1,217,501	2.8	1,110,529
Customer loans (net)	750,100	724,154	3.6	682,551
Customer deposits	632,533	616,376	2.6	506,976
Managed customer funds	984,353	985,269	(0.1)	900,057
Shareholder's funds[1]	80,629	75,273	7.1	70,006
Total managed funds	1,382,980	1,362,289	1.5	1,245,420
Net interest income	30,821	29,224	5.5	26,299
Gross income	44,262	42,049	5.3	39,381
Net operating income	24,373	23,853	2.2	22,960
Profit from continuing operations	7,881	9,129	(13.7)	9,427
Attributable profit to the Group	5,351	8,181	(34.6)	8,943

RATIOS (%)	2011	2010	% 2011/2010	2009
Efficiency (with amortization)	44.9	43.3	-	41.7
ROE	7.14	11.80	-	13.90
ROTE[2]	10.81	18.11	-	21.05
ROA	0.50	0.76	-	0.86
RoRWA	1.07	1.55	-	1.74
Core capital (BIS II)	10.02	8.80	-	8.61
Tier 1	11.01	10.02	-	10,08
BIS II ratio	13.56	13.11	-	14.19
Tangible capital/tangible assets[3]	4.4	4.4	-	4.3
Ratio of basic financing[4]	81.2	79.6	-	76.0
Loan-to-deposit ratio[5]	117	117	-	135
Non-performing loan (NPL) ratio	3.89	3.55	-	3.24
NPL coverage	61	73	-	75

THE SHARE AND CAPITALISATION	2011	2010	% 2011/2010	2009
Number of shares in circulation (million)[6]	8,909	8,329	7.0	8,229
Share price (euros)	5.87	7.928	(26.0)	11.55
Market capitalisation (million euros)	50,290	66,033	(23.8)	95,043
Shareholders' funds per share (euros)[1]	8.62	8.58	-	8.04
Share price/shareholders' funds per share (times)	0.68	0.92	-	1.44
PER (share price/attributable profit per share) (times)	9.75	8.42	-	11.05
Attributable profit per share (euros)	0.6018	0.9418	(36.1)	1.0454
Diluted attributable profit per share (euros)	0.5974	0.9356	(36.1)	1.0382
Remuneration per share (euros)	0.6000	0.6000	0.0	0.6000
Total shareholder return (million euros)	5,260	4,999	5.2	4,919

OTHER FIGURES	2011	2010	% 2011/2010	2009
Number of shareholders	3,293,537	3,202,324	2.8	3,062,633
Number of employees	193,349	178,869	8.1	169,460
Continental Europe	63,866	54,518	17.1	49,870
United Kingdom	26,295	23,649	11.2	22,949
Latin America	91,887	89,526	2.6	85,974
Sovereign	8,968	8,647	3.7	8,847
Corporate activities	2,333	2,529	(7.8)	1,820
Number of branches	14,756	14,082	4.8	13,660
Continental Europe	6,608	6,063	9	5,871
United Kingdom	1,379	1,416	(2.6)	1,322
Latin America	6,046	5,882	2.8	5,745
Sovereign	723	721	0.3	722

[1] In 2011, scrip dividend for May 2012 estimate.
[2] Return on tangible capital.
[3] (Capital +Reserves+Minority Interests+Profits-Treasury stock-Dividends-Valuation adjustments-Goodwill-Intangibles)/(Total assets-Goodwill-Intangibles).
[4] (Deposits+Medium and long-term wholesale financing+net equity/Total assets (excluding derivatives).
[5] Includes retail commercial paper in Spain.
[6] In 2011, includes shares issued to meet the exchange of preferential shares in December 2011.

Photo: Shutterstock

WE HAVE ENTERED A NEW PERIOD OF GROWTH AND CONSOLIDATION IN BRAZIL, SUPPORTED BY A PROJECT WHICH INVOLVES THE VARIOUS AREAS OF THE BANK

STRATEGY AND MANAGEMENT

Focus on the customer

WE WANT TO BE THE CUSTOMER'S PREFERRED OPTION, A STREAMLINED AND SAFE BANK THAT IS EFFICIENT, PROFITABLE, AND IMBUED WITH QUALITY 1.2 4.8

In 2011, following the process of integration with Banco Real, we entered a new period of expansion and consolidation of our activities in Brazil. We reviewed our positioning and put together a strategic plan with the aim of becoming, by 2013, the preferred bank for customers. To this end, we sought to bring more simplicity and agility to everything we do, always with integrated management and impeccable work execution.

This reorientation gave rise to a major project entitled Santander 3.1, which establishes a set of actions involving various areas of the bank, having five strategic vectors:

- Consolidating the bank's operating base;
- Strengthening our position as a bank that offers products and services to different segments;
- Repositioning the bank in interesting markets, using an aggressive approach;
- Improving strategic positioning and relationships with customers in other markets;
- Adding value to our brand.

In practical terms, this means we are going to streamline the structure of our operations, strengthen our risk operating plan, reinforce our presence in areas such as acquirer, financing, and real estate business, invest in customer bonding, customer loyalty, and customer retention, and develop the brand management plan.

The principal guiding of this proposal embraces our four major aspirations: to be the best bank for which to work, the best bank in terms of customer satisfaction, the most attractive brand in the country, and the best in terms of shareholder return.


Photo: Pisco del Gaiso

Meeting of Santander 3.1

Our new Mission

In order to reflect this new era for Santander in Brazil, and as part of the process of strengthening our identity, we have revised our Mission. At the start of 2011, the Executive Committee defined the 44 words (in Portuguese) that clearly and objectively express the values that should inspire us and guide us on a daily basis: "To be our **customer's** choice for being the **simple** and **safe**, **efficient** and **profitable bank**, that constantly seeks to improve the **quality** of every service, with a **team** that enjoys working **together** to **conquer** everyone's recognition and **trust**."

Sustainability upfront

Sustainability is a concept that is consistently embedded in the strategy of our organization, from the agenda of the Board of Directors to the training of new staff, from structured business transactions in the Retail and Wholesale segments to the processes and policies that guide management.

One such example is *Capital de Giro Sustentável* (Sustainable Working Capital), a product created to encourage relationship managers in Retail banking to identify sustainable business opportunities in small- to medium-sized businesses, thereby promoting environmental and social improvements in their operations (for further information, see page 86).

Over the years, we have also developed innovative socio-environmental risk practices in the market (for further information, see page 53). The assessment of this type of risk and the inclusion of criteria that take into account these aspects in our products, services, and processes have produced good results for both society and the bank.

In addition to promoting improvements and realizing significant gains in efficiency for customers, fostering sustainable business helps to reduce risk exposure, add value to the Santander brand, generating value for shareholders and having a positive impact on society.

Rio de Janeiro, now and ever after 1.2

Rio de Janeiro has always been strategically important to Santander. Today we have 6,000 employees in the state, dedicated to serving 1.4 million individual customers and 74,000 businesses. In all, there are 447 banking service centers and 340 ATMs, a number that will rise significantly over the coming years.

In 2010, we inaugurated the branch in the district of Complexo do Alemão even before peace was brought to the community. In 2011, we replicated the experience to Vila Cruzeiro. We also have an agreement with 39 local universities; we participate in a variety of social inclusion projects via a solid partnership with the cultural group AfroReggae, and we also maintain an important call center operation in the state, which serves one-third of our customer base in Brazil.

VILA CRUZEIRO FIGURES FS13 SO1

Population:	approximately 60,000 people, equivalent to around 15,000 families
Per capita income:	2 minimum salaries
Area:	approximately 20,000 sqm.
Businesses:	around 300

Source: Rio de Janeiro local government.

The microcredit operation already encompasses 5,000 entrepreneurs and in April 2011, we opened in the capital of Rio de Janeiro an exclusive facility, to provide service to Santander's Private clients in Brazil. In addition, we took part in the restoration of the *Arcos da Lapa* (Lapa Arches) and invested in projects focused on quality of life, such as *Rio Praia Maravilhosa* (Marvellous Beach in Rio) and *Academias na Praça* (Fitness Centers in the Park).

In 2011, we launched the project *Rio 2 Mil e Sempre* (Rio 2,000 and Forever), a permanent commitment by the bank to the state. The objective is to double our business in the region and inaugurate more than 100 branches within five years, an expansion that should generate around 2,000 jobs. We want to invest in relationships with small- to medium-sized businesses and increase scale in several sectors such as trade, industry, oil & gas and the creative economy.

We are already one of the participants in the *Progredir* (Moving Forward) program which makes it possible for suppliers of Petrobras to acquire loans in several rounds, and we are structuring private equity funds with *Mare Investimentos*, which is expected to attract around R$ 2 billion within a period of about two years.

Rio 2 Mil e Sempre also anticipates a strong support to education, culture, and heritage. The program *Comunidades Rio 2016* (Rio Communities 2016), for example, has already created partnerships with nine institutions of higher education to invest in the education of the young. There will be 510,000 training scholarships in areas such as customer service, call centers, hospitality, IT, nursing, and administration. With the support of the NGO AfroReggae, this action will involve 200,000 residents in the communities of Vigário Geral, Complexo do Alemão, Parada de Lucas, Cantagalo/Pavão/Pavãozinho, and Nova Era. EC8

Photo: Pisco del Gaiso

Rio de Janeiro: beyond 2016

154
BRANCHES
WERE OPENED IN 2011

Private Banking Space

Aleixo branch, in Manaus

Branch network expansion

The strategy of expanding our involvement in Rio de Janeiro is also reflected in the branch network expansion plan, which began in April 2010 and will continue at least until 2014. Of the 154 branches we inaugurated in 2011, 40 are in towns and cities in the state of Rio de Janeiro. In this period, we grew our operations in all regions of Brazil and also opened four exclusive facilities to serve private clients (for further information, see page 100). The expansion of the bank's physical structure strengthens the organization and enables a more solid and rapid growth.

In 2012, we expect to open between 100 and 120 branches and two facilities to serve Private clients.

Opening of the branch in Vila Cruzeiro

Photo: André Conti

WE HAVE REINFORCED OUR CORPORATE GOVERNANCE STRUCTURE WITH THE CREATION OF TWO COMMITTEES, A NEW CEO, AND IMPORTANT CHANGES TO THE BOARD OF DIRECTORS

CORPORATE GOVERNANCE

Transparency and accountability

WITH THE REORGANIZATION OF OUR GOVERNANCE STRUCTURE IN 2011, WE ARE PREPARING OURSELVES FOR A NEW PERIOD OF GROWTH AND DEVELOPMENT 4.1 4.7 4.9

We have been going through an important period of integration over the last few years, and now we are ready for a solid and structured growth. In 2011, we consolidated our expansion strategy in Brazil, strengthening our governance structure in compliance with the principles of transparency, equity, accountability, and corporate responsibility. In this way, we believe that we will be prepared to achieve our aspirations of being the best and most efficient bank in terms of generating value for our shareholders.

After 16 years dedicated to Santander, Banco Real, and ABN AMRO, during which time he acted as President and Chairman of the Board of Directors, Fábio Colletti Barbosa left the organization in 2011 to begin a new chapter in his career. In his place, Marcial Angel Portela Alvarez took over as CEO, with direct responsibility for the Brazilian operations in the last three years. Celso Clemente Giacometti, who has been an independent member of the Board of Directors since 2010, took over the chairmanship. 4.10

The reorganization of its governance marked a new period for Santander after the end of its integration process and the definition of a new strategic direction. Having combined the best experiences of Santander and Banco Real, we are now working towards being a streamlined, secure, efficient, and profitable bank, which provides value to all our stakeholders.

In 2011, we created two advisory committees to assist the Board of Directors (Corporate Governance and Sustainability Committee, and Risk Committee), together with the Audit Committee and the Committee for Appointment and Compensation (see more on page 33). The Committee for Corporate Governance and Sustainability has the task of strengthening the management of the organization regarding transparency and respect for and promotion of sustainable development. The responsibilities of this new committee include:

- debating key demands and trends of society, ensuring their application in internal policies;
- reviewing and proposing improvements in our key processes, verifying corporate governance practices, involving the dynamics and functioning of the Board of Directors and its Committees, including administrative aspects such as: internal regulations, general secretariat, calendar, content of the agenda, and reception and distribution of information;
- analysis, obtaining information and making proposals to the Board of Directors with respect to the company's operation in terms of sustainability and any improvements which can be incorporated into its directives regarding environmental and social management with respect to its various stakeholders, notably: customers, employees, suppliers, shareholders, society in general.

Photo: Paulo Uras

APIMEC meeting in São Paulo: transparency and accountability

THE NEW COMMITTEES REAFFIRM THE IMPORTANCE OF SUSTAINABILITY AND THE PRUDENT MANAGEMENT OF RISKS FOR THE LONGEVITY OF SANTANDER'S BUSINESSES

With this new committee, we reaffirmed the importance of sustainability for the longevity of our businesses, and strengthened the inclusion of this topic on the agenda of the Board of Directors.

Also set up in 2011, the Risk Committee is an advisory body to the Board of Directors on subjects related to policies, operational guidelines, capital allocation methods, risk management and limits of exposure. Its responsibilities include:

- monitoring the implementation of risk management policies;
- proposing and discussing procedures and systems to measure and manage risks;
- validating and ensuring the effectiveness of the exposure limits in terms of various risks, such as market, credit, operational, and liquidity, to name a few;
- reviewing the exposure of the bank's key customers, economic activities, and geographies that represent the highest risks to the company.

On December 31st, both committees were being implemented. The Corporate Governance and Sustainability Committee had already elected members and approved its by-laws, and its first meeting was held in March 2012. The Risk Committee, however, still depended on the election of members in order to begin its operation.

Improving our Practices 2.6

In the first quarter of 2011, Santander was rated as GAMMA 7 (Governance, Accountability, Management Metrics and Analysis) by Standard & Poor's Governance Services, on a scale from 0 to 10. This rating means that S&P considers Santander's corporate governance processes and practices to be generally strong, but still has points that need improvement – see the complete report from Standard & Poor's at www. santander.com.br/ir.

Santander follows the recommendations of the Best Practices Code of the Brazilian Institute for Corporate Governance (Instituto Brasileiro de Governança Corporativa – the IBGC) and has its shares and units listed under Corporate Governance Level 2 of the BM&FBOVESPA (Bolsa de Valores, Mercadorias e Futuros S.A.). This means we have voluntarily adhered to a rigorous set of governance rules and practices that go beyond the legislation in force.

The regulation for Level 2 was amended in 2011 to include rules which aim to improve the corporate governance practices of the companies listed in this segment, such as: extension of 100% tag-along rights to holders of preferred shares, the prohibition of the same person holding the positions of both Chairman of the Board and CEO, and declarations by the Board of Directors in the event of any public offering for the acquisition of shares of the company.

Santander's units are also traded on the New York Stock Exchange (NYSE) and are subject to the regulations applicable in the United States, which include the supervision by the Securities & Exchange Commission (SEC) and the application of the Sarbanes-Oxley Act (SOX), which aims to ensure reliable auditing and security mechanisms are in place in the relevant companies.

The units are stock deposit certificates, which consist of 55 common shares and 50 preferred shares. In this way, Santander provides the shareholder with political rights – the vote, which is a characteristic of the common shares – and an economic advantage – a differentiated dividend, 10% higher, which is granted to preferred shares. In 2010, Santander's units became part of the IBOVESPA, the most important indicator of average performance in the Brazilian Stock Exchange. In addition to this, the units are part of various other indices of BM&FBOVESPA, such as the Carbon Efficient Index (ICO2) – consisting of companies that adopt transparent practices with regard to greenhouse gas emissions (GEE) – and the Differentiated Tag-along Index (Itag). To learn more about the indices that have SANB11 (the ticker code of the units on BM&FBOVESPA) in their portfolios, please visit www.santander.com.br.

SHARE BUYBACK PROGRAM

On August 24, 2011, a Share Buyback Program was approved for the purchase of up to 57,006,302 units or American Depositary Receipts (ADRs) by Santander or its branch in the Cayman Islands. This total corresponds to approximately 1.5% of Banco Santander's share capital. The Material Fact notice published referring to the Buyback Program can be accessed at www.santander.com.br/ir, under the section Corporate Governance.

On November 25, 2011, BM&FBOVESPA announced its seventh portfolio for the Corporate Sustainability Index (ISE), which will be effective from January 2, 2012 to December 31, 2012. This is the second consecutive year we have been part of the index. This year's portfolio combines 51 shares of 38 companies which represent 18 industry sectors, with a total of R$ 961 billion in market capitalization, equivalent to 43.72% of the total value of the companies whose shares are traded on BM&FBOVESPA.

The ISE reflects a return of a portfolio consisting of companies with strong commitment to social responsibility and sustainability, and that have an important role in encouraging good practices in the Brazilian business community.

Decision-making structures 4.1

Santander is managed by a Board of Directors and an Executive Board. In addition to these two bodies, the Board of Directors is advised by committees for Auditing, Appointment and Compensation, Corporate Governance and Sustainability, and Risks. The Executive Board, in turn, is supported by 15 non-statutory committees, which cover various subjects (see more on page 35).

Board of Directors 4.1 4.3 4.6 4.9

The Board of Directors is a collective decision-making body, responsible for providing general guidelines for Santander operations in Brazil, consisting of eight members, three of which are independent, a number that is higher than that required by the rules of Level 2 Corporate Governance. They have two-year terms and meet on a regular basis four times a year, and on an extraordinary basis, whenever convened by the chairman of the Board.

The dates of the board meetings are published in the annual calendar and are available to shareholders on the websites of the bank, CVM and BM&FBOVESPA. In 2011, the Board met 16 times. Board resolutions are reached through a majority vote among the members present and are documented in the minutes and written into the record book, subject to legal procedures and requirements.

The members have the directive of promoting the long-term prosperity of the institution and must make every effort to ensure that the principles of Santander are respected, maintained, and disseminated among its employees. They must also keep confidential any information that has not been disclosed to the market, including any information that has been obtained as a consequence of their position in the company, and ensure that their subordinates and third parties also keep such information confidential. They must also keep up-to-date and ensure the provisions of Santander's Code of Ethics are complied with, such that the principles which govern the operation and relationship of all employees are present in the day-to-day running of the organization.

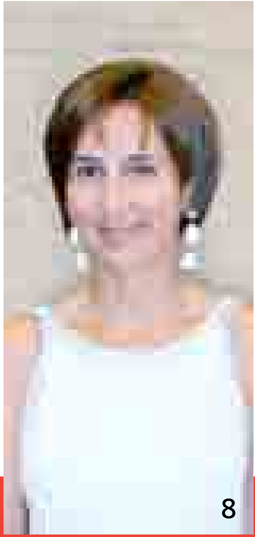
Whenever a potential conflict of interest is identified, members of the Board of Directors must state their opinion on the reported conflict, absent themselves from discussions on the topic, or declare their refusal to vote as soon as possible.

To learn more about the responsibilities and functioning of Santander's Board of Directors, please access the websites **www.santander.com.br/ir** or **www.santander.com.br/acionistas** and click on the "Corporate Governance" section. The bylaws of Banco Santander and the Internal Regulations of the Board of Directors approved at the meeting on December 23, 2009 are also available at those websites.

As of December 31, 2011, the Board of Directors comprises the following: 4.2

1. Celso Clemente Giacometti	Chairman and Independent Board Member
2. Marcial Angel Portela Alvarez	Vice President
3. José Antonio Álvarez Álvarez	Board Member
4. José Manuel Tejón Borrajo	Board Member
5. José de Menezes Berenguer Neto	Board Member
6. José de Paiva Ferreira	Board Member
7. José Roberto Mendonça de Barros	Independent Board Member
8. Viviane Senna Lalli	Independent Board Member

7



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Photos: Paulo Uras

THE MEMBERS OF THE BOARD OF DIRECTORS HAVE AS A GUIDELINE TO PROMOTE THE LONG-TERM PROSPERITY OF THE INSTITUTION AND TO RESPECT THE PRINCIPLES OF THE BANK

KEY RESPONSIBILITIES OF THE BOARD OF DIRECTORS

Definition of Policies and Strategies – The Board of Directors plays a fundamental role in the definition of Santander's business strategy. As set out in the organization's bylaws and in current legislation, the main function of the Board of Directors is to provide general guidelines of Santander's businesses and operations, which must be observed by the Executive Board in the carrying out of its activities.

Approval of Financial Statements and the appropriation of net profit - As set out in the company bylaws and in the legislation in force, the Board of Directors of Santander is in charge of reviewing and approving the annual budget, the capital budget, and the business plan, including stating its opinion on Santander's annual, semi-annual and quarterly financial statements, in addition to proposing the appropriation of net profit for the year, and deciding on the pay-out of dividends and/or interest-on-capital.

Approval of Corporate Transactions – The Board of Directors must issue an opinion on corporate transactions involving Santander , including authorizing the disposal of assets and property from the fixed assets, the constitution of in rem guarantees and the provision of sureties to third parties, the acquisition or disposal of investments in equity interest with third parties for amounts in excess of 5% of shareholders' equity, as stated in the last balance sheet approved at the Annual General Meeting, as well as authorize equity associations or strategic alliances with third parties.

Changes in Capital Structure or Bylaws – The Board of Directors is responsible for proposing an increase or reduction in Santander's share capital, the issue of bonus, share subscriptions, share splits, reverse share splits, the trading of shares for cancellation or holding in treasury, and changes to the bylaws.

Election of Board Members and Compensation Policies – It is the responsibility of the Board of Directors to elect and remove members of the Executive Board and determine their responsibilities, as well as establish their compensation, indirect benefits, and other incentives, subject to the global compensation limit approved at the General Shareholders Meeting, including the determination of profit-sharing for Santander officers and employees and Santander subsidiary companies. The Board is also responsible for the approval and granting of stock options for managers, employees, or persons providing services to Santander or Santander subsidiary companies, subject to the Option Plans approved at the General Shareholders Meeting

Advisory Committees and Ombudsman - It falls to the Board of Directors to appoint the members of the Audit Committee, Compensation and Appointment Committee, Corporate Governance and Sustainability Committee, and Risk Committee, as well as the Ombudsman.

Audit Committee

The Audit Committee assists the Board of Directors with the fulfillment of its supervisory responsibilities, conducting analysis and ensuring the bank complies with applicable laws and regulations. The Audit Committee also ensures the integrity of the financial statements and internal control systems, including the processing of information or confidential and anonymous reporting from employees, shareholders, suppliers, customers, and stakeholders concerning fraud, questionable accounting, or auditing issues.

Santander's Bylaws require that its Audit Committee be composed of three to six members, elected by the shareholders of the bank for a maximum term of one year, entitled to reelection for four consecutive years.

Currently, this body consists of four independent members, who meet at least once a month.

In 2011, this committee met 80 times. As of December 31, 2011, it comprised the following members:

Maria Elena Cardoso Figueira	Coordinator
Celso Clemente Giacometti	Independent Member
René Luiz Grande	Independent Member
Sérgio Darcy da Silva Alves	Independent Member

Photo: Pisco del Gaiso

Committee for Compensation and Appointment

The Committee for Compensation and Appointment was created in May 2010, with the responsibility of advising the Board of Directors on subjects related to the election, management compensation, succession plans, and the assessment of administrative bodies.

Since January 1, 2012, Monetary Council Resolution No. 3,921/2012 has been in force, which regulates, among other things, the activities of the Compensation Committee and determines the set-up of such a committee at the first General Meeting taking place after January 1, 2012. In addition, it regulates the inclusion of new items in the bank's bylaws, the number of members making up the Compensation Committee, its criteria for their appointment and removal, compensation, term, and responsibilities.

In order to comply with the aforementioned resolution, at an Extradiordinary General Meeting held on February 7, 2012, the bank approved amendments to its bylaws with the aim of including the Compensation Committee in the text of the bylaws; the committee's responsibilities were included in the Committee for Compensation and Appointment that already existed within the company's organizational structure.

Among its main responsibilities we highlight the following:

- the development of compensation policy management, proposing to the Board of Directors the various forms of fixed and variable compensation, as well as benefits and special programs for staff recruiting and termination;
- supervision of the implementation and enforcement of the compensation policy for the company's management;
- annual review of the compensation policy for the company's management, recommending any corrections or improvements to the Board of Directors;
- proposing to the Board of Directors the global compensation total for management, to be submitted to the General Shareholders Meeting in accordance with Article 152 of Law No. 6,404 of 1976;
- evaluation of future scenarios, internal and external, and their potential impact on management compensation policy;
- analysis of the compensation policy of the company's management with respect to market practices, with the aim of identifying any significant inconsistencies regarding its peer companies, proposing any necessary adjustments;
- annual publication of the Report of the Committee for Compensation and Appointment within 90 days of December 31 of each year, subject to the applicable legal and regulatory requirements, relative to the December 31 reference date, for each year;
- the identification, analysis and proposal of candidates to make up the Board of Directors, the Audit Committee, and the positions of President and Executive Vice-Presidents.

The members of the committee are appointed by the Board of Directors, from among such persons that meet the legal and regulatory requirements for such a position, provided that one of the members must not be a company manager, while the others may or may not be members of the company's Board or Management, with at least two independent members having a mandate of two years, and the possibility of four additional consecutive terms. General meetings are held twice a year, but may occur with greater frequency upon request of the committee coordinator.

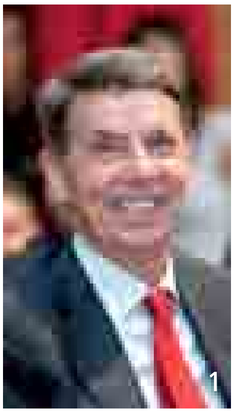
On December 31, 2011, the committee consisted of:

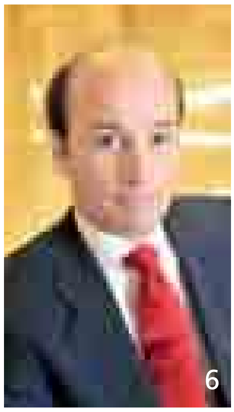
Celso Clemente Giacometti	Coordinator
Fernando Carneiro[1]	Independent Member
Viviane Senna Lalli	Independent Member

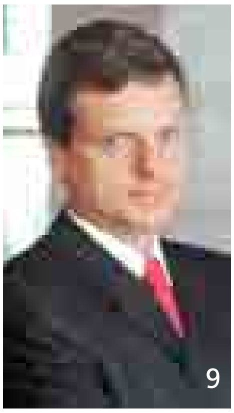
General Secretariat

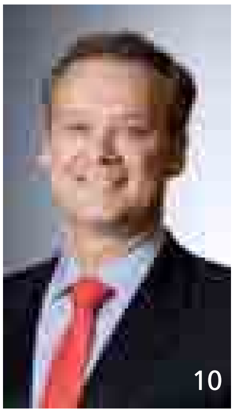
This area is responsible for providing advice to the management bodies of the bank and the organization of the corporate governance system, under responsibility of Marco Antonio Martins de Araújo Filho, Executive Vice President of Corporate Affairs. Whose responsibilities include formal and material legality in the activities of the Board of Directors and its committees, advising the Chairman of the Board of Directors on his responsibilities, ensuring the compliance with the applicable legislation of the management bodies, ensuring timely information flow, the compliance with good corporate governance practices and the reputation of the bank, producing and safeguarding corporate documents, and issuing appropriate certificates, when necessary.

[1] Resigned on March, 1st, 2012.









Executive Board

The Executive Officers are responsible for the management and the representation of Santander. According to the bylaws, the Executive Board must consist of at least two, and a maximum of 75, members, shareholders or not, resident in Brazil, elected and removed from office at any time by the Board of Directors, with a unified mandate of two years, with possibility of re-election.

One of its members must obligatorily be appointed as President, while the others may be appointed as Senior Executive Vice Presidents, Executive Vice Presidents, Director of Investor Relations, Executive Directors, or Directors with no specific designation.

The President, the Senior Executive Vice Presidents, and the Executive Vice Presidents are also part of the Executive Committee, which participates in decisions referring to the policies which apply to the management of the businesses and operational support, including human resources and the allocation of capital. The Executive Committee also makes decisions on the main projects for technology, infrastructure and services.

On December 31, 2011, the Executive Committee consisted of:

Name	Position
1. Marcial Angel Portela Alvarez	President
2. José de Menezes Berenguer Neto*	Senior Executive Vice President
3. Angel Oscar Agallano	Executive Vice President
4. Carlos Alberto López Galán	Executive Vice President
5. Fernando Byington Egydio Martins**	Executive Vice President
6. Ignácio Dominguez-Adame Bozzano	Executive Vice President
7. João Guilherme de Andrade Só Consiglio	Executive Vice President
8. Lilian Maria Ferezim Guimarães	Executive Vice President
9. Luís Felix Cardamone Neto	Executive Vice President
10. Marco Antonio Martins de Araújo Filho	Executive Vice President
11. Oscar Rodriguez Herrero	Executive Vice President
12. Pedro Carlos Araújo Coutinho	Executive Vice President

* Stepped down on 30 March 2012, remaining as a member of the Board.
** Stepped down on 30 March 2012.

SUPPORTING COMMITTEES 4.4

The Executive Committee is supported by 15 non-statutory committees involving the different departments of Santander. The aim is to ensure that decision-making complies with the guidelines and aspirations of the organization in a consistent and transparent manner. It is through the Supporting Committees that recommendations made by employees at the operational level reach top management.

Social Action Committee – Defines the strategy of the social actions carried out by the bank, ensuring consistency with sustainability practices, adding value for the various different target audiences, and representing a significant differential for Brazilian society.

Wholesale Executive Committee – Monitors financial performance, the expenditure and investment budget, projects, and other strategic topics with respect to the Wholesale segment of the bank.

Asset and Liability Committee (ALCO) – Controls, evaluates and approves policies and guidelines related to the management of capital and structural risks in the balance sheet, which includes liquidity risk, interest rates, exchange rate and investments in variable income.

Executive Committee for Anti-Money Laundering and Compliance – Responsible for the development and monitoring of anti-money laundering policies, in compliance with Santander global policies. The Committee also makes decisions on issues concerning obligations and compliance risk (compliance with the Codes of Ethics and Conduct in securities markets, for the identification of potential risks in the fulfillment of internal standards).

Human Resources Committee – Institutional forum that evaluates, directs and approves proposals from Human Resources and relevant areas which have an impact on all or a large part of the employees of Santander in Brazil.

Executive Committee for Operational Risks – Aims to strengthen the system for the management and control of operational risk, and the creation of Santander's corporate governance structure.

Committee for the Marketing of Products – Ensures that the bank's products and services are managed in accordance with the highest standards of excellence, and makes decisions on the approval and revision of products and services.

Executive Commission for Brazil Risks – Credit and Market Risks – Decides on the operational guidelines governing Santander's risks in Brazil.

Executive Committee for Brazil Risks – Credit and Market Risks – A forum for decisions made regarding credit and market operations and portfolios for corporate and individual clients.

Committee for Brazil Business Risks – Responsible for the monitoring of Santander's loan portfolios in Brazil.

Fiduciary Comittee – A forum for the assessment of all issues related to Asset Management that imply institutional or reputational risks. The committee is also responsible, through its power of veto, for signing off on credit limits, counterparties and brokerages approved by the committees for fixed income, variable income, credit, and brokerages.

Executive Ombudsman Committee – Deliberates on investments, priorities for the implementation of recommendations for the improvement or correction of processes, products, and services indicated by the Ombudsman, in order to reduce complaints and lack of customer satisfaction.

Strategic Committee for Technology - Assesses the technological status of Santander in Brazil, providing support for strategic decision-making with significant impact on the organization.

Committee for Diversity – Fosters the *Programa de Valorização da Diversidade* (Program for the Valuing of Diversity) and ensures the fulfillment of the principle of equal opportunities for all those within the organization.

Committee for Internal Controls – Responsible for the guidelines of and monitoring with respect to internal controls and SOX within the Group.

Ownership Structure 2.3 2.6

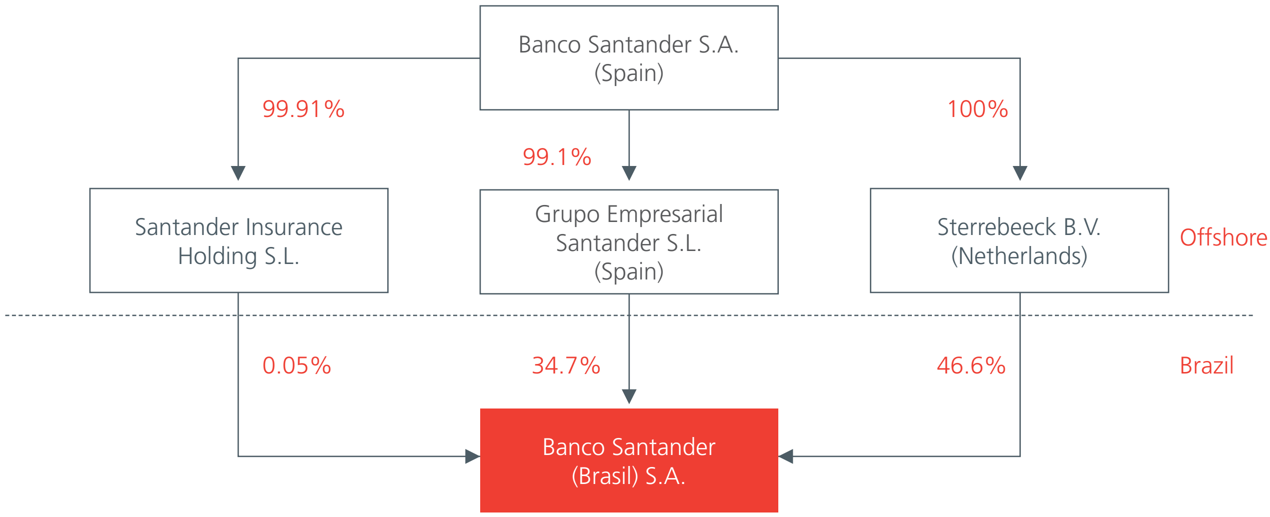
Santander's ownership structure on December 31, 2011 was:

SHAREHOLDERS

	Common Shares	%	Preferred Shares	%	Total	%
Grupo Empresarial Santander S.L. (GES)[1]	72,876,994	34.2%	61,631,776	33.1%	134,508,770	33.7%
Sterrebeeck B.V.[1]	99,527,083	46.8%	86,492,330	46.5%	186,019,413	46.6%
Banco Santander S.A.[1]	2,090,231	1.0%	1,900,210	1.0%	3,990,441	1.0%
Santander Insurance Holding S.L. (SH)[1]	206,664	0.1%	-	0.0%	206,664	0.1%
Employees	211,427	0.1%	193,458	0.1%	404,885	0.1%
Members of the Board of Directors	(*)	(*)	(*)	(*)	(*)	(*)
Members of the Executive Board	(*)	(*)	(*)	(*)	(*)	(*)
Others	37,929,333	17.8%	35,984,611	19.3%	73,913,944	18.5%
TOTAL	**212,841,732**	**100.0%**	**186,202,385**	**100.0%**	**399,044,117**	**100.0%**

[1] Companies of the Santander Spain Group.
* None of the members of the Board of Director or of the Executive Board hold 1.0% or more of any class of share.

SIMPLIFIED OWNERSHIP ORGANIZATION CHART



On October 5, 2011, a transaction was carried out involving the sale of all the shares issued by Santander Seguros S.A. to Zurich Santander Insurance America, S.L., a holding company based in Spain ("ZS Insurance"[1]). As a result, Zurich Financial Services Ltd. has a 51% ownership of Santander Seguros, while Santander Spain owns the remaining 49%. The sale involved the transfer of 11,251,174,948 common shares to ZS Insurance, for a total of R$ 2,751,557,571.98.

This operation is part of the strategic partnership between Santander Spain and Zurich, under which ZS Insurance acquired all the property-casualty , and life and private pension insurance companies, including pension companies of Santander Spain in Argentina, Brazil, Chile, Mexico, and Uruguay. Under the agreement, Santander will have exclusive distribution of insurance products for the next 25 years through its branch network, excluding auto insurance. The aim is to promote and strengthen Santander's operations in the insurance market, providing a greater range of products, which cover classes of customers currently not served.

[1] Operation subject to approval by SUSEP.

Shareholder Base

The breakdown of the bank's share capital by type of shareholder at the end of 2011, was as follows:

	Common	Preferred	Total
Individuals	1.38%	2.10%	1.71%
Institutional	16.23%	16.92%	16.55%
Non-institutional	0.31%	0.41%	0.36%
Santander Spain	82.08%	80.57%	81.38%
Total	100.00%	100.00%	100.00%

Santander in Brazil has more than 201,000 shareholders, of which approximately 178,000 are individual investors. Dealing with such a large shareholder base is a major responsibility, and in order to meet shareholders' expectations, the bank has adopted a consistent dividend pay-out policy.

Total dividends and interest on capital reported in 2011 amounted to R$ 3.175 billion. The total amount net of taxes received per class of 1,000 shares is shown in the table below:

Dividends + net interest on capital *(R$)*	
Common shares	7.05
Preferred shares	7.76
Unit	775.49

These payments of dividends and interest on capital resulted in the following dividend yields for the different classes of shares:

Annualized Yield	
Common	4.75%
Preferred	5.98%
Unit	5.59%

General Shareholders Meetings

In 2011, Santander shareholders met at four General Meetings. Below we show the main resolutions taken:

Extraordinary General Meeting on January 28, 2011

- Election of Fábio Colletti Barbosa to the position of Chairman of the Board of Directors, and Marcial Angel Portela Alvarez to the position of Vice-President of the Board.

Annual General Meeting and Extraordinary General Meeting on April 29, 2011

- Approval of Santander's financial statements for the fiscal year ending on December 31, 2010;
- Resolution on the allocation of net profit for the year 2010 and dividend pay-out;
- Election of members of the Board of Directors for a new term;
- Defining annual global compensation for management and members of the Audit Committee;
- Resolution on the changes to the time limit for the payment of dividends and/or interest on capital, specifically referring to the 2011 fiscal year.

Extraordinary General Meeting on October 25, 2011

- Election of the Vice-President of the Board of Directors, Celso Clemente Giacometti, to the position of Chairman of the Board;
- Approval of the proposal to extend the Long-Term Incentive Plan – investment in Share Depository Certificates (*units*) for certain staff and employees at management level within the company and its subsidiary companies.

Extraordinary General Meeting on December 16, 2011

- Approval of the proposal to amend the company bylaws to comply with the new listing regulations of Level 2 of BM&FBOVESPA S.A.

Service to shareholders and investors 4.4

Since 2010, we have had two distinct departments to serve shareholders and investors: individuals and non-financial companies are served by the Shareholder Relations Department; institutional investors, analysts and market professionals are served by the Investor Relations Department, which is also responsible for the disclosure of information to the financial market.

This structure follows the global model adopted by the Santander Group and is based on safeguarding shareholders' rights and transparency in management and communication with strategic target audiences.

In Brazil, the Shareholder Relations Department offers multiple communication channels. In 2011, this target audience had access to the Manual for Participation in General Shareholders Meetings, which aims to provide the market with all the needed information for shareholders and investors to make their decisions with full awareness and confidence. This manual was developed for the participation of our shareholders at Annual General Meetings and Extraordinary General Meetings held on April 29, October 25, and December 16, 2011, emphasizing our commitment to transparency and respect for all shareholders.

Another important communication channel for this target audience is the Shareholder Portal (*Portal do Acionista* at **www.santander.com.br/acionistas**), through which shareholders and other stakeholders may access information about the bank in a simple and informative manner. Contact can also be made via e-mail at acionistas@santander.com.br and by calling toll-free telephone number 0800 286 8484.

This department is also responsible for the holding of Public Meetings (APIMECS). Our strategy at these meetings is to submit, especially to shareholders, information on quarterly results, our positioning in the market, and projects for sustainability.

SERVICE FOR SHAREHOLDERS AND INVESTORS FOLLOWS THE GLOBAL MODEL OF THE SANTANDER GROUP, WITH DISTINCT STRUCTURES FOCUSED ON THESE TARGET AUDIENCES


Photo: Pisco del Gaiso

WE HELD MORE THAN
10
PUBLIC MEETINGS
IN 2011, IN THE FIVE REGIONS OF THE COUNTRY

It is mandatory that listed companies hold a public meeting once a year. In 2011, we held more than 10 meetings in five regions of the country, in cities such as Brasília, Porto Alegre, Curitiba, Belo Horizonte, São Paulo, Rio de Janeiro, Florianópolis, and João Pessoa.

Santander also has a specific department for providing customized services to institutional, foreign, and domestic investors, analysts, and market professionals. In maintaining a close relationship with these target audiences, we facilitate broad access to information on the bank, and strengthen our relationships.

The main channel to access this content is the Investor Relations Site (**www.santander.com.br/ir**), which combines information published in the market on a regular basis and filed with regulatory bodies (CVM and SEC) and stock exchanges (BM&FBOVESPA and NYSE). Details are also available on ownership structure, ratings, and performance indicators.

APIMEC meeting in São Paulo

Policies for transparency and disclosure of information 1.2

We publish all information to the markets in a transparent manner, with equal treatment, so that shareholders and investors alike are provided with the conditions to make their investment decisions in the most appropriate manner. To this end, we have a variety of policies which establish rules with regard to the bank's relationship with these target audiences, concerning disclosure of information, conflict of interest, and transparency.

The bank has policies for the Disclosure of Material Facts and for the Trading of Securities, which applies to all associates and management of the bank and its subsidiaries. The documents provide rules for the way in which material facts are disclosed, the confidentiality of this information, and commitments with regard to the trading of securities issued by the bank. According to CVM Instruction No. 358 and its policies, any decision which could have a significant influence on the following aspects, is regarded as material:

- listing of securities issued by the company or associated with such securities;
- decisions by investors to buy, sell, or maintain those securities;
- decisions by investors to exercise any rights inherent to the ownership of such securities issued by the company or associated with such securities ("material information").

A revision of the aforementioned policies was approved at a meeting of the Board of Directors on November 23, 2011, with the purpose of updating the said policies in order to cover the following topics: the creation of a Disclosure Committee; the preview of procedures for the disclosure of estimates containing information on future performance ("guidance"); inclusion of a workflow for the application of penalties in the event of failure to comply with the policies; inclusion of applicable regulations specifically forbidding managers and controlling shareholders from trading on the same day on which the company is trading in its own securities; and inclusion of a 30-day period after a board member has taken office to transfer to a Santander brokerage any securities that associated persons may hold with other brokerages.

Risk Management Policy 4.6

In a meeting of the Board of Directors on March 24, 2011, a Disclosure of Risk Management and Required Equity policy was approved in order to provide information on processes, methodologies, and controls implemented for the group's risk management; regulatory capital, required notional equity, and capital adequacy.

Risk Management Policy with Related Parties

Santander also has a Transactions with Related Parties policy, approved in 2010, with the purpose of establishing rules that ensure that in the event of a conflict of interest, the most important components for the bank are preserved, to the detriment of personal interests.

Related parties are individuals or legal entities with whom the bank has direct or indirect association, administrators or legal entities that have significant influence on the bank, which the organization may hire in conditions other than independent conditions.

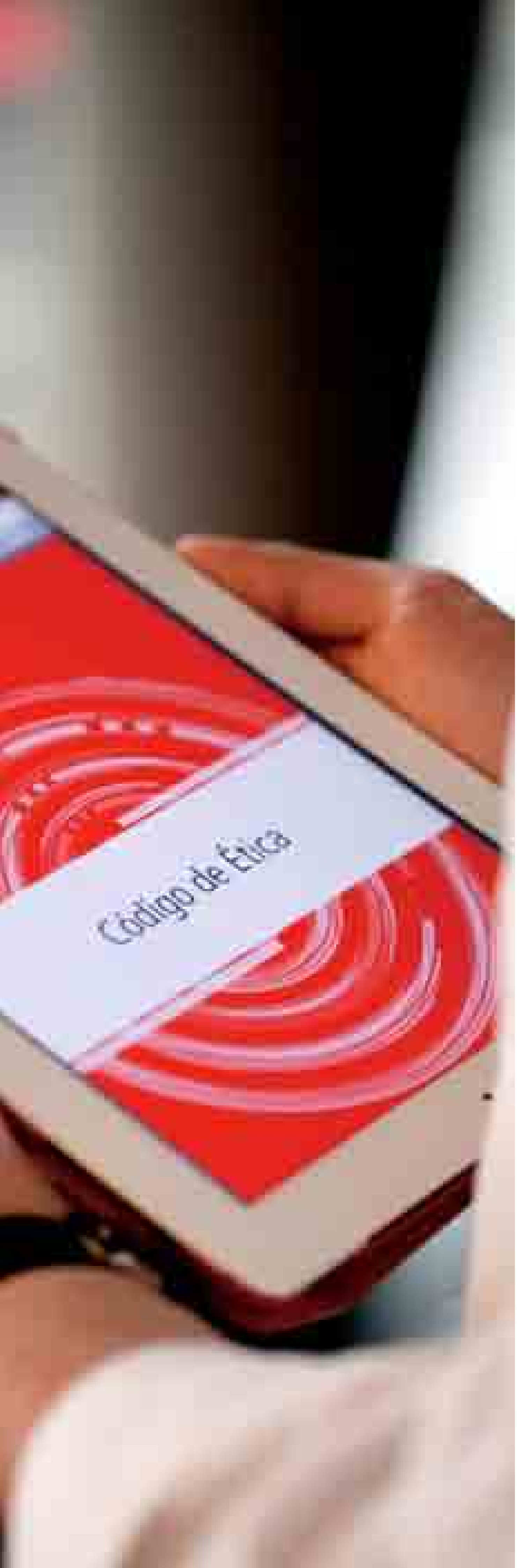
The policy provides that all changes with related parties involving the disbursement by Santander in amounts greater than or equal to 1% of the bank's net equity, shall be assessed by the Audit Committee and approved by the Board of Directors of Santander.

In line with the requirements of Level 2 of BM&FBOVESPA, Santander undertakes to carry out a periodic revision of this policy, in order to ensure the continuous improvement in good practices. The norm is also in line with Law No. 6,404/76, mainly with regard to the duties of the manager to demand that the interests of the company always take priority over personal interests in decision-making.

These documents are available on the website at **www.santander.com.br.**

Photo: Pisco del Gaiso

THE NEW POLICY APPROVED IN 2011 INTRODUCES INFORMATION ON METHODOLOGIES, PROCESSES, AND CONTROLS FOR RISK MANAGEMENT



Code of Ethics 4.8

Our Code of Ethics establishes guidelines for the work and relationship of managers, employees, and interns of the companies that are part of the organization, as well as their responsibilities and conduct, regardless of their level in the hierarchy. It also provides guidelines with respect to the relationship with customers, suppliers, government bodies, partners, and the media, guided by principles of confidentiality, integrity, and the availability of information governed by Information Security policies.

The Code of Ethics covers concepts referring to sustainability, complemented by a number of policies on this topic, including global manuals on Anti-Money Laundering, and supplier agreement management.

The document also covers non-discrimination and equality of opportunity with respect to people, compatibility in the workplace with personal life, the prevention of occupational risks, the assurance of a good working environment, and collective rights.

The management and mitigation of reputational risk, as well as the supervision and monitoring of compliance with the rules that make up the Code of Ethics, are the responsibility of the Compliance Department, and various tools are made available for detecting any potential breach to this code. Employees must learn all about this document and share it, in addition to being aware that any failure to comply with it may result in disciplinary action, including termination for cause. The Code of Ethics is available for consultation at www.santander.com.br/ir.

Code of Conduct in Securities Markets

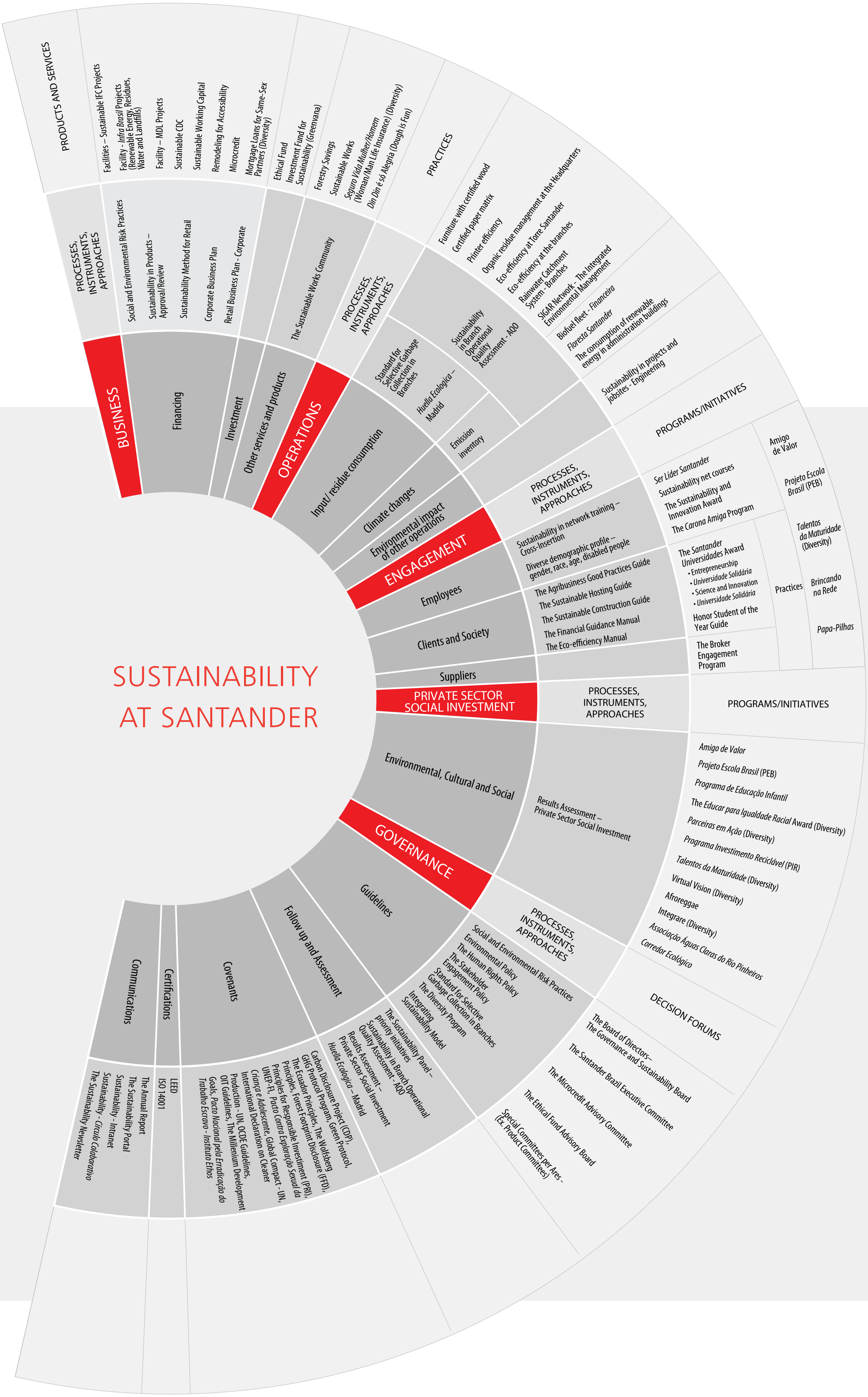
We also have a specific Code of Conduct for securities markets, which must also be followed by managers and employees who are directly or indirectly involved in matters covered by this code. The document contains general obligations, preventive and corrective actions for potential cases of conflict of interest and how to deal with insider information – i.e. information that is not disclosed to the public through independent communication channels. This code extends to individuals and legal entities that have a direct connection with employees and managers.

OUR CODE OF ETHICS ALSO COVERS CONCEPTS OF SUSTAINABILITY AND IS COMPLEMENTED BY OTHER DOCUMENTS OF THE GROUP

Integrated view of Sustainability

OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT INFLUENCES ALL AREAS OF THE BANK, FROM BUSINESSES TO OPERATIONS, IN ADDITION TO THE ENGAGEMENT OF OUR STAKEHOLDERS.

THIS SYSTEMIC VISION OF THE IMPLEMENTATION OF SUSTAINABILITY ENABLES THE CREATION OF PRODUCTS, PROCESSES, TOOLS, AND BUSINESS APPROACHES THAT PERPETUATE AND DRIVE THIS TOPIC, BOTH INSIDE AND OUT OF THE ORGANIZATION.


SUSTAINABILITY AT SANTANDER
BUSINESS
Financing
Investment
Other services and products
PROCESSES, INSTRUMENTS, APPROACHES
Social and Environmental Risk Practices
Sustainability in Products – Approval/Review
Sustainability Method for Retail
Corporate Business Plan
Retail Business Plan - Corporate
The Sustainable Works Community
PRODUCTS AND SERVICES
Facilities – Sustainable IFC Projects
Facility - Infra Brasil Projects (Renewable Energy, Residues, Water and Landfills)
Facility – MDL Projects
Sustainable CDC
Sustainable Working Capital
Remodeling for Accessibility
Microcredit
Mortgage Loans for Same-Sex Partners (Diversity)
Ethical Fund
Investment Fund for Sustainability (Greenvana)
Forestry Savings
Sustainable Works
Seguro Vida Mulher/Homem (Woman/Man Life Insurance) (Diversity)
Din Din é só Alegria (Dough is Fun)
OPERATIONS
Input/ residue consumption
Climate changes
Environmental impact of other operations
PROCESSES, INSTRUMENTS, APPROACHES
Standard for Selective Garbage Collection in Branches
Huella Ecologica – Madrid
Sustainability in Branch Operational Quality Assessment - AQO
Emission inventory
PRACTICES
Furniture with certified wood
Certified paper matrix
Printer efficiency
Organic residue management at the Headquarters
Eco-efficiency at Torre Santander
Eco-efficiency at the branches
Rainwater Catchment System - Branches
SIGAR Network - The Integrated Environmental Management
Biofuel fleet - Financeira
Floresta Santander
The consumption of renewable energy in administration buildings
Sustainability in projects and jobsites - Engineering
ENGAGEMENT
Employees
Clients and Society
Suppliers
PROCESSES, INSTRUMENTS, APPROACHES
Sustainability in network training – Cross-Insertion
Diverse demographic profile – gender, race, age, disabled people
The Agribusiness Good Practices Guide
The Sustainable Hosting Guide
The Sustainable Construction Guide
The Financial Guidance Manual
The Eco-efficiency Manual
PROGRAMS/INITIATIVES
Ser Líder Santander
Sustainability net courses
The Sustainability and Innovation Award
The Carona Amiga Program
The Santander Universidades Award
• Entrepreneurship
• Universidade Solidária
• Science and Innovation
• Universidade Solidária
Honor Student of the Year Guide
The Broker Engagement Program
Practices
Amigo de Valor
Projeto Escola Brasil (PEB)
Talentos da Maturidade (Diversity)
Brincando na Rede
Papa-Pilhas
PRIVATE SECTOR SOCIAL INVESTMENT
Environmental, Cultural and Social
PROCESSES, INSTRUMENTS, APPROACHES
Results Assessment – Private Sector Social Investment
PROGRAMS/INITIATIVES
Amigo de Valor
Projeto Escola Brasil (PEB)
Programa de Educação Infantil
The Educar para Igualdade Racial Award (Diversity)
Parceiros em Ação (Diversity)
Programa Investimento Reciclável (PIR)
Talentos da Maturidade (Diversity)
Virtual Vision (Diversity)
Afroreggae
Integrare (Diversity)
Associação Águas Claras do Rio Pinheiros
Corredor Ecológico
GOVERNANCE
Guidelines
Follow up and Assessment
Covenants
Certifications
Communications
PROCESSES, INSTRUMENTS, APPROACHES
Social and Environmental Risk Practices
Environmental Policy
The Human Rights Policy
The Stakeholder Engagement Policy
Standard for Selective Garbage Collection in Branches
The Diversity Program
Integrating Sustainability Model
The Sustainability Panel – priority initiatives
Sustainability in Branch Operational Quality Assessment - AQO
Results Assessment – Private Sector Social Investment
Huella Ecológica – Madrid
Carbon Disclosure Project (CDP), GHG Protocol Program, Green Protocol, The Equador Principles, The Wolfsberg Principles, Forest Footprint Disclosure (FFD), Principles for Responsible Investment (PRI), UNEP-FI, Pacto Contra Exploração Sexual da Criança e Adolescente, Global Compact - UN, International Declaration on Cleaner Production - UN, OCDE Guidelines, OIT Guidelines, The Millenium Development Goals, Pacto Nacional pela Erradicação do Trabalho Escravo - Instituto Ethos
LEED
ISO 14001
The Annual Report
The Sustainability Portal
Sustainability - Intranet
Sustainability - Círculo Colaborativo
The Sustainability Newsletter
DECISION FORUMS
The Board of Directors– The Governance and Sustainability Board
The Santander Brazil Executive Committee
The Microcredit Advisory Committee
The Ethical Fund Advisory Board
Special Committees per Area - (Ex. Product Committees)

THE INCREASED CREDIT APPROVAL AUTHORITY CONTRIBUTED POSITIVELY TO OUTPERFORMING THE MARKET

RISK MANAGEMENT

Credit approval authority at branch level

THE RISK MODEL INCREASES THE DECISION-MAKING POWER OF THE SALES TEAM AND STREAMLINES CREDIT APPROVAL WITHOUT LOSS OF PRUDENCE

The integration of systems and the quest for flexibility and simplicity in our day-to-day operations has resulted in a new risk model, consolidated in 2011 into a single technological platform, which enabled us to streamline processes and shorten the time required to approve credit for our clients.

The new model has resulted in significant gains in synergy in the analysis of credit, such as increased credit approval authority for the Retail sales team and new scoring models, without loss of credit quality and prudence, which have always underscored our risk policy.

As a result, we have strengthened our regional structure and we are now much better prepared to grow and gain market share, providing support for Santander's commercial strategy in Brazil. The new credit approval profile has contributed positively to achieve results above the market, reversing the trend of the first months.

In 2011, we also worked on credit recovery, especially due to the increase in default ratio. We have strengthened our controls and enhanced the guidance we offer to our clients in order to enable access to products and services consistent with their incomes. To this end, we strengthened our team of specialists who are now better prepared to understand the reality of our clients, offering solutions for all types of circumstances.

Even in the face of this situation, we proceed with the strategy of expanding loans, supported by the favorable scenario of the Brazilian economy and our risk policy. One of our management differentials is the involvement of top management in decision-making. The Risk Committee discusses the relevant matters, and resolutions are made collectively, in order to ensure better alignment. Another important point is the independence of the team in relation to the business area, which allows more assertive decisions and thus reduces credit risk.

With respect to socio-environmental risks, 2011 was important in consolidating our practices and improving our processes, increasing the strictness of controls in the areas that are most critical in the production sector.


Photo: Pisco del Gaiso

WE MAINTAINED OUR STRATEGY OF EXPANDING CREDIT, SUPPORTED BY THE POSITIVE OUTLOOK FOR THE ECONOMY, WHILE TAKING A PRUDENT STANCE WITH RESPECT TO HIGHER DEFAULT RATES

Photo: Pisco del Gaiso

Committee for the Executive Vice-Presidency for Risks

Principles for differentiated risk management

1. Independence of risk functions from the business area;
2. Involvement of top management in decision-making;
3. Consensus between the Risk and Commercial areas on decisions with respect to credit operations;
4. Decisions are made collectively, including the branch network, with the objective of encouraging diversity of opinion, and avoiding individuals being responsible for decision-making;
5. Use of statistical tools to forecast the default ratio, such as internal rating, credit scoring and behavioral scoring, RORAC (Return On Risk-Adjusted Capital), VaR (Value at Risk), economic capital, and analysis of scenarios, to name a few;
6. Global focus, with integrated treatment of risk factors in the business units, and the use of the concept of economic capital as a uniform metric of risk undertaken and for evaluation by management;
7. Maintenance of a predictable profile with conservative risk (medium/low) and low volatility with respect to credit and market risks. This is done by diversifying the portfolio, limiting concentrations of clients, groups, sectors, products, or geographies, reducing the level of complexity of market operations, carrying out analysis of socio-environmental risks of the businesses and the projects financed by the bank, and continuous monitoring to prevent portfolio deterioration;
8. Definition of policies and procedures which make up the Basic Corporate Risk Framework, which regulates activities and risk processes.

Risk Governance

The structure of Santander's Risk Committees is defined in accordance with corporate standards, and their main responsibilities include:

- To approve proposals, operations and limits for clients and portfolios;
- To ensure that Santander's operations are consistent with the level of tolerance to risks previously approved by the Executive Committee and the Board of Directors, and are in alignment with Santander Group policies;
- To remain informed on, assess, and adhere to any observations and recommendations which are periodically made by supervisory authorities in the fulfillment of their duties;
- To authorize the use of management tools and local risk models and to be familiar with the outcome of their internal validation.

The Executive Vice Presidency for Risks, which is independent from the commercial areas and reports directly to the President of Santander in Brazil and to the Group's Corporate Risk Officer, is divided into areas which fall into two different types of approach:

- Methodology and Control, which adapts policies, methodologies, and risk-control systems;
- Business risks, focused on risk management and the definition of risk policies for each business segment of Santander in Brazil.

Photo: Pisco del Gaiso

Risk Policy

The bank operates in accordance with Santander Group's risk culture, in line with local and global performance objectives, while also following the instructions of the Board of Directors, the regulations of Brazil's Central Bank and the best international practices, in order to protect capital and ensure business profitability. In our operations, we are exposed mainly to the following risks:

Credit risk: exposure to losses in the case of partial or total default of clients or counterparties in complying with their financial obligations with the bank. Credit risk management seeks to define strategies, as well as establish limits, including the analysis of exposure and trends, as well as the efficiency of credit policy. The objective is to maintain a risk profile and adequate minimum profitability, which offsets the risk of default estimated for clients and portfolios, as established by the Executive Committee.

Market risk: exposure to risk factors such as interest rates, exchange rates, the price of goods, share prices on the stock market and other securities, depending on type of product, exposure, maturities, and the conditions of the contract and underlying volatility. Market risk management includes practices to measure and monitor the use of limits previously established by internal committees, the value of the portfolio at risk, sensitivity to and fluctuations in interest rates, exposure to exchange rate, and liquidity gaps, to name a few.

This enables the control and monitoring of the risks which could affect the positions of the bank's portfolios in the various markets where it operates.

Operational risk: possibility of losses due to failures or inadequacy of staff, processes and systems or external events. The management and control of operational risks strive for efficiency in internal control systems, prevention, and reduction of events and losses.

Compliance risk: exposure from sanctions imposed by regulatory bodies, legal sanctions, material financial losses 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 has a pro-active approach to conformity-related risk through monitoring, education, and communication.

Risk to reputation: exposure due to negative public opinion, regardless of whether it is based on facts or merely public perception. The management of risk to reputation is carried out by having responsible involvement in the right businesses, with the right clients.

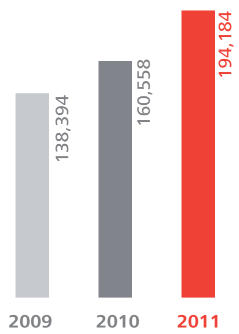
Credit risks

The role of Credit and Market Risks is to develop policies and strategies for credit risk management in accordance with appetite for risk and the strategy defined by the Executive Committee. Additionally, the area is responsible for the control and monitoring systems used. These systems and processes are applied to the identification, measurement, control, and reduction of exposure to risks in individual transactions or those grouped together by similarity.

The chart below shows the client loan portfolio, which grew by 20.9% in 2011 with particular emphasis on SMEs enterprises and individuals.

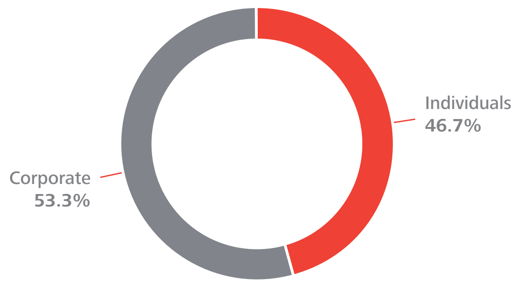
CLIENT LOAN PORTFOLIO

(IN R$ MILLION)

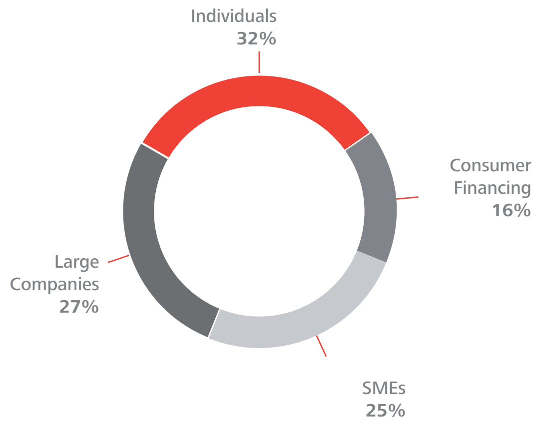


SHARE IN THE CLIENT LOAN PORTFOLIO 2.7

BY CLIENT TYPE



BY SEGMENT FS6



Our risk management is carried out in accordance with the characteristics of our clients:

Individualized management: clients in the Wholesale segment, financial institutions, and certain companies. Management is conducted by a designated risk analyst, who prepares the analyses, forwards them to the Risk Committee, and monitors client progress.

Standardized management: individuals and companies that do not fall into the individualized client category. These risks are managed based on automated models for decision-making and the evaluation of internal risk, complemented by increased credit approval authority at branch level and teams of analysts specialized in dealing with exceptions.

In order to carry out credit transactions with security, and according to the regulations in force, we collect documents and information which determine the risk involved, the volumes of collateral and provisions required, identifying the borrower and the counterparty. The relevant policies, systems, and procedures are reviewed at least once a year, so that they are always in accordance with our requirements and the market scenarios.

The credit risk profile undertaken by Santander is characterized by the diversification of clients and the large volume of retail transactions. Macroeconomic aspects, market conditions, sectorial and geographical concentration, client profile, and economic outlook are also assessed.

Executive Committee for Brazil Risk

Rating models

Santander uses its own rating models to measure the credit quality of a client or transaction. Each rating is determined taking into account the probability of default or non-payment based on the bank's experience. At Santander, ratings are used in the approval process and in risk monitoring.

The classification of the credit transactions into different categories is carried out in accordance with an analysis of the economic/financial situation of the client and other information recorded and updated frequently, in addition to the fulfillment of the financial obligations in the terms and conditions agreed upon.

New types of transactions are submitted for credit risk assessment and verification, in compliance with the controls adopted by the bank.

Therefore, client ratings are periodically reviewed, and contain new financial information available, as well as the experience developed in the relationship with the bank. The frequency of the new assessments is increased for those clients that reach certain levels in the automatic alert systems, as well as those that are classified as requiring special monitoring. Rating tools are also reviewed so that the ratings they assign are progressively improved.

MASTER SCALE FOR RATINGS

Internal rating	Probability Default	Standard & Poor's	Equivalence with Moody's Equivalence
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

Credit loss and cost

We carry out a monthly estimate of losses related to credit risk, and subsequently we compare the estimated values with the effective losses for the month. We carry out analyses on a regular basis in order to monitor and maintain control over credit risk.

In order to complement the use of admission and rating models, Santander uses other measurements to support prudent and effective credit risk management, based on the loss identified. The cost of credit is measured by the performance of indicators such as variation in accruals for loss of credit, non-performing loans undergoing recovery processes, and net credits written off.

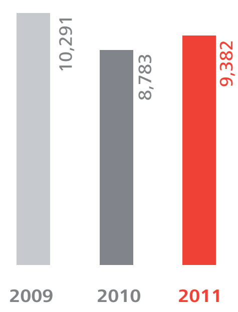
Reports on risk management are submitted to the management to check for the alignment of risk management with the bank's policies and strategy. In order to assess the need to review policies and limits previously determined, simulations of risk situations are carried out.

All information on risk management structure and procedures is kept at Santander, and is available to the Brazil's Central Bank and other regulators. In addition, information on credit risk management is also made available to the public in the quarterly financial statements in order to meet transparency criteria.

Below we show total provision for doubtful debts, net of recovery of credit write-offs, in accordance with IFRS criteria.

NET EXPENSES

PROVISION FOR DEBTS ACCOUNTS, NET OF RECOVERY OF CREDIT WRITE-OFFS *(IN R$ MILLION)*



Credit risk cycle

Santander has a global view of the Bank's loan portfolio throughout the various phases of the risk cycle, with a level of detail which enables the bank to assess the current risk status and possible shifts. This mapping is monitored by the Board of Directors and the Executive Committee, which establish the risk policies and procedures, limits, and credit approval authority at branch level, in addition to approving and supervising the operation of the area.

The risk management process consists of the identification, measurement, analysis, control, negotiation, and decision of the risks incurred in the bank's operations. This cycle has three distinct phases:

(i) Pre-sale: planning processes, setting targets, gauging the interest for risk by the bank, approval of new products, analysis of risk and credit rating process, and the definition of limits;

(ii) Sale: decision-making for pre-classified and specific transactions;

(iii) Post-sale: monitoring, measuring, and controlling processes, in addition to recovery process management.

• Risk planning and limits

This process identifies the interests of the bank through the assessment of business proposals and risk position. A global plan for risk limits (a document previously agreed upon for the integrated management of the balance sheet and the inherent risks) is defined. The limits are grounded on two basic structures: clients and segments, and products.

In the case of individualized risk, the client represents the most basic level, for which individual limits are established (pre-classification). For larger economic groups, a pre-classification model is used as a function of economic capital allocated. For the other groups of companies, a simplified pre-classification model is used, with maximum nominal credit amounts for each period.

For standard client risk, the portfolio limits are planned through Credit Management Programs (PGC in Portuguese), a document previously agreed upon by the business and risk areas, and approved by the Executive Committee. This document contains the results expected for a business in terms of risk and return, in addition to the limits to which the activity and risk management are subject. This group of clients has a more automatic treatment. Calculation and approval of the limits is based on scoring and behavioral models.

• Risk analysis

Risk analysis is a pre-requisite for the approval of loans to clients, and consists of examining the capacity of clients to meet their contractual commitments to Santander, which includes analysis of the client's credit rating, risk operations, solvency, the sustainability of their businesses, and the intended return, in light of the risk undertaken. FS2

This analysis is carried out in accordance with a pre-established frequency, or every time a new client or new transaction arises. In addition, the rating is also analyzed whenever the alert system is triggered, or an event takes place which affects the counterparty or the transaction.

• Decision-making on transactions

The decision-making process on transactions has the objective of analyzing them and adopting resolutions, taking into consideration the appetite for risk and any elements of the transaction that are important in counterbalancing risk and return.

The bank uses a number of methodologies, such as the RORAC (Return On Risk-Adjusted Capital), for the analysis and pricing during the decision-making process on transactions and deals.

• Risk monitoring and control

In addition to the roles performed by the Internal Audit Division, the Executive Vice Presidency for Risk has a specific area for the monitoring of risks for the control of credit quality, consisting of teams with specific resources and responsibilities.

WE HAVE A SPECIFIC AREA TO MONITOR RISKS FOR THE CONTROL OF CREDIT QUALITY

This area is based on a process of permanent observation, which enables early detection of incidents which may result from a change in risk, in operations, in the clients or in their environment in such a way that preventive action can be taken. This monitoring area is specialized by client segment.

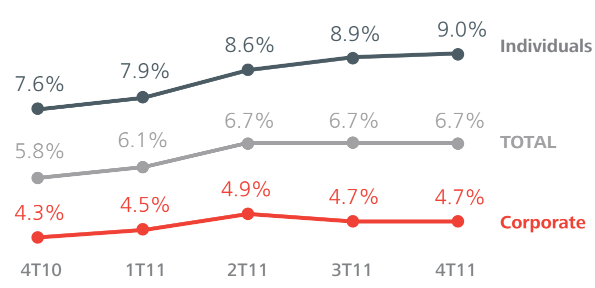
To this end, a system was created known as "Firms Under Special Vigilance" (FEVE), which differentiates four categories (terminate, provide collateral, reduce, and monitor) based on the level of concern generated by the circumstances observed. The inclusion of a company in the FEVE system does not mean such company is in default, but that in this case it is advisable to implement closer monitoring in order to take timely measures for correction and prevention, and assign a person responsible for oversight and set a time limit for the implementation of the action.

The client list in the FEVE system is revised twice a year, or every quarter, in the case of the more serious categories. A company's classification in the FEVE comes from monitoring, a review carried out by internal auditing, a decision by the manager in charge of the company, or the triggering of the automatic alert system. The rating assigned is reviewed at least once a year.

With regard to the risk of clients with similar characteristics, the key indicators are monitored in order to detect variations in the performance of the loan portfolio, with regard to forecasts carried out within the credit management programs.

Below we show a chart depicting the quarterly historical development of the default ratio in IFRS, which represents the percentage of transactions in the loan portfolio that have been past-due for more than 90 days, or which are deemed as doubtful debts. The default ratio reached 6.7% in December 2011, which represents an increase of 0.9 percentage points compared to the same period in 2010.

DEFAULT RATE - IFRS



Transactions overdue more than 90 days plus normal credits with high default risk / managerial credit portfólio.

Risk control

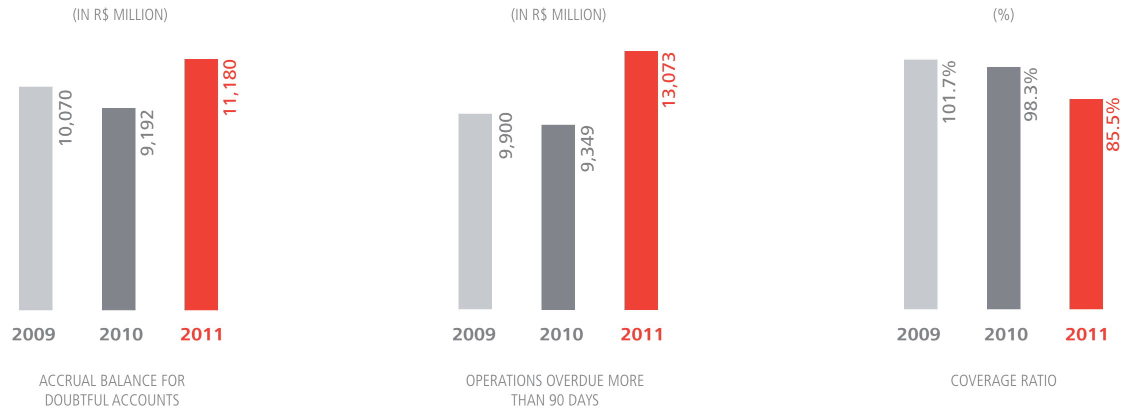
Its role is to obtain a global view of the bank's loan portfolio throughout the various phases of the credit cycle, with a level of detail that enables an assessment of the current risk status and possible movements.

Changes in the bank's exposure to credit risk are continuously and systematically controlled. The impacts of these changes in certain future situations of exogenous nature and those arising from strategic decisions are assessed to establish measures that return the loan portfolio profile and value to the parameters established by the Executive Committee.

The charts below show the NPL coverage ratio, which represents the amount accrued in relation to the balance of Non-Performing Loans.

COVERAGE RATIO

RATIO BETWEEN THE ACCRUED BALANCE FOR DOUBTFUL DEBTS AND THE BALANCE OF OPERATIONS OVERDUE MORE THAN 90 DAYS



Credit recovery

This process uses tools, with behavioral scoring, to assess the collection performance in certain groups, in an attempt to reduce costs and increase recovery rates. Clients with a high probability of making good on their loans are classified as low risk, and greater attention is paid to maintaining a healthy relationship with these clients. On the other hand, those clients with a low probability of making good on their loans are classified as high risk, and are thus monitored more closely. All clients whose loans are overdue, or who have loans that have been rescheduled, are subject to internal restrictions.

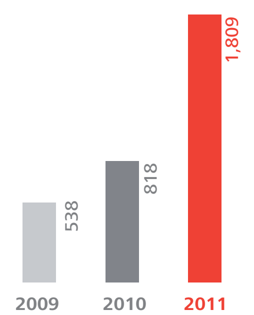
The strategies and channels used by collection are defined in accordance with analyses that show the greatest efficiency in the recovery rate. In the first few days of delinquency, a more intense collection model is adopted, with specific strategies, such as closer internal monitoring. Service centers, credit blacklisting, and collection by mail and through the branch network are the methods used in this phase, with the aim of recovering the client.

In cases where loans are past due for more than 60 days and at larger amounts, internal teams that are specialized in loan restructuring and recovery spring into action, with direct action with the clients in default. For lower amounts or longer past-due periods, recovery is carried out through efforts made by third-party collection firms, either administrative or judicial, in accordance with internal criteria, and these outsourced collectors receive a commission on any amounts recovered.

Below, we show the total amount of credits write-offs recovered in 2011:

CREDIT WRITE-OFF RECOVERY

(IN R$ MILLION)



Socio-environmental Risk

The year 2011 was important for improving our processes and increasing the strictness of credit controls taking into account socio-environmental risk. As signatories of the Ecuador Principles we are committed to monitoring the progress of the major projects we finance. One example of this is accompanying the socio-environmental aspects of the work for the construction of the Santo Antonio hydroelectric power plant on the Madeira River in Rondônia, for which we are the leader of the consortium of banks. Together with the other institutions financing the project, we carry out periodic meetings with Saesa, our client, and an independent consulting firm to ensure the fulfillment of the action plan agreed upon to minimize the socio-environmental impacts of the project.

In 2011, we carried out two visits to the work site, focusing on health and safety aspects. During these visits our team also monitored the initiatives Saesa is adopting in various aspects, from suppliers to environmental issues.

Whenever we identify any non-conformity in the activities of a client, in any sector, we work in a collaborative manner to enable the client to solve the problem and comply with the laws, agreements, and contracts in force. This procedure is carried out in various industry sectors and with companies of different sizes, as shown in the table below. A metallurgical company, which was going to set up its facilities in the southeast, for example, encountered problems with contamination in the area of the proposed investment. After a visit, we advised the company to invest in another location and we are still evaluating the possibility of financing this investment.

We also retained the services of Serasa Experian Environmental Compliance, which monitors various sites that detect businesses with socio-environmental problems, such as the use of slave labor and fines imposed by environmental agencies. This complements the work of the team, helping to rapidly track clients that potentially do not comply with our policies.

The use of the services of Serasa Experian involves the creation of a database of registered businesses, all of which will be analyzed, in some way, by Santander's socio-environmental risk area. As a result, we have significantly increased our involvement in this area. In 2011, the socio-environmental risk area analyzed a total of 1,123 businesses and operations and more than 26 projects for Project Finance and Real Estate Loans. Of this total, eight applications were turned down, based on the Ecuador Principles.

We apply the socio-environmental risk filter, a pioneering concept in Brazil, in the acceptance of new clients. In 2011, the socio-environmental risk area analyzed 144 requests to open accounts, and recommended turning down 27 of these cases.

We also invested in the training of 99 employees in other areas of the bank so that they can identify problems and opportunities during client visits.

What we do in practice

Here are some examples of sectors, topics, and procedures carried out by the Socio-environmental Risk area in 2011: 1.2

Sector/project	Topic covered*	Actions taken
Mining and metallurgy in the southeast.	Geotechnical risk of tailings dam and contaminated area.	Credit limit renewed, including investment in high-tech equipment
Metallurgy in the southeast	Land contaminated at old plant to be re-used by the company in expanding production	Financing denied. The client appreciated our clarifications and will seek new area to submit to the bank for analysis
Sugar plant in the northeast	Health and safety issues within the plant	Client implemented safety improvements suggested by the bank
Tannery in the northeast	Problems with the disposal of waste	Credit limit renewed after verification that the client is addressing the problem
Agribusiness in the Midwest	Degrading work on the crops	Client accepted consultancy by the NGO recommended by the bank
Sawmill in the north	Verification in the management of concession areas for the exploitation of public forests	Credit limit renewed. Client pursues FSC certification
Lumber mill in the north	Verification in the management of concession areas for exploitation of public forests	Credit limit not renewed for reasons of financial analysis
Urban infrastructure in the southeast	Verification of the socio-environmental management system	After two visits to the project site, we submitted a favorable report

* The topics dealt with are aimed at meeting the socio-environmental risk practices of the bank, the Green Protocol, the Ecuador Principles, the National Compact for the Eradication of Slave Labor, or any combination of these commitments.

Photo: Pisco del Gaiso

MARKET RISKS

Santander is exposed to market risk resulting primarily from the following activities:

- Trading of financial instruments, which involve risks referring to interest rates, exchange rate, share prices, and volatility;
- Activities of the commercial bank involving interest rate risks, since interest rate variations affect interest revenues and expenses as well as client behavior;
- Investment in assets (including subsidiaries) with returns or accounts denominated in currencies other than the Brazilian real, which involve exchange rate risk;
- Investments in subsidiaries and other businesses which subject the bank to share price risk.

Structure of Market Risk Limits

The structure of market risk limits represents the appetite for risk of the Executive Committee and is determined by management policies aimed at:

- Identifying and defining the main types of risk incurred in a manner consistent with the business strategy;
- Quantifying and reporting the adequate levels and profiles of risk to the business segments, in tandem with risk assessment by top management, in order to keep business segments from assuming undesirable risks. Also, providing flexibility to the business segments in the timely and efficient definition of risk position sensitive to changes in the market and to the business strategies of the bank, and always within the risk levels acceptable for the Santander Group;
- Defining the range of products and underlying assets with which the treasury can operate, taking into account models and systems for the assessment of the bank's risks.

Statistics Tools for the Calculation and Management of Market Risk

VaR model

Locally, Santander uses a number of mathematical and statistical models, among which are VaR (Value at Risk) models, historical simulations, and stress testing for measuring, monitoring, and managing market risk.

The VaR calculated by the bank is an estimate of the maximum daily loss the bank would suffer in a given portfolio 99% of the time, subject to certain assumptions and limitations discussed ahead. On the other hand, it is an estimate of the loss Santander would expect to exceed only 1% of the time, or approximately three days per year.

The Santander standard methodology is based on historical simulation (520 days). To reflect the recent market volatility in the model, an exponential declining factor is applied, which assigns smaller weight to observations as they become more distant in time.

The VaR limits are used for the control of the exposure of each portfolio, with its estimates being a source of alert for top management with regard to existing exposures.

Assumptions and limitations

Santander's VaR methodology should be interpreted in the light of the following limitations: (1) the one-day time frame cannot entirely reflect the market risk of the positions that cannot be liquidated or protected by hedging within one day; and (2) currently, VaR is calculated at the closing of the transactions, and trading positions can change substantially during the trading day.

R$ 19.81 MILLION

WAS THE AMOUNT OF DAILY VAR IN THE TRADING PORTFOLIO ON DECEMBER 30, 2011

Analysis of scenarios and calibration measures

Due to the limits of the VaR methodology, in addition to historical simulation, Santander uses stress tests to analyze the impact of extreme fluctuations in the market and adopts policies and procedures in an attempt to protect its capital and operational results against such contingencies. To calibrate the VaR model, the bank uses back-testing, which is a comparative analysis between VaR estimates and daily net results (theoretical results generated by adopting the assumption of daily marked-to-market portfolio variation, taking into account fluctuation in market variables only). The purpose of these tests is to verify and measure the accuracy of the models used to calculate VaR.

Balance Sheet Management

Interest rate risk

Santander analyzes the sensitivity of net interest margin and the market value of capital to variations of the interest rates. This sensitivity results from divergence between the maturity dates and the interest rates in the various asset and liability accounts. In the case of products with no established contractual maturity dates, certain re-pricing assumptions or internal models should be used, based on the economic scenario (financial and commercial).

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

Divergence in interest rates of assets and liabilities

The analysis of divergence between interest rates refers to mismatching or discrepancies between the variations in the value of assets, liabilities, and off-balance sheet items. The analysis of divergence provides a basic representation of the structure of the balance sheet and enables the detection of interest rate risk, in accordance with concentration of maturity dates. It is also a useful tool for estimating the future impact of interest-rate fluctuations on net interest margin and equity.

Sensitivity of net interest margin

Sensitivity of net interest margin measures the variation, over the short and medium term, of gains expected in a 12-month period following a change in the yield curve. A simulation of net interest margin is calculated both under a scenario of change in the yield curve and the current scenario, and the sensitivity is the difference between the two margins calculated.

Market value of equity sensitivity

The sensitivity of Shareholders' Equity measures the interest risk implied in shareholders' equity during the entire period of the transaction, based on the effect of a change in interest rates on the current values of the financial assets and liabilities. It is an additional measure of the sensitivity of net interest margin.

Value at risk

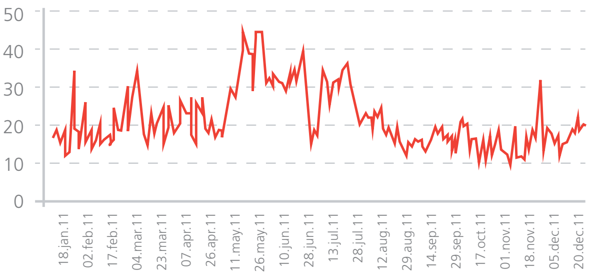
The VaR of activities booked in the balance sheet and in the investment portfolios is calculated using the same standard adopted for the simulation of activities maintained for trading, in other words, in other words, a historical simulation, with a 99% confidence interval and a one-day time horizon.

Quantitative analysis of trading activities

Quantitative analysis of daily VaR in 2011

The chart below shows the bank's performance in relation to risk in activities maintained for trading in the financial markets in 2011, measured by daily VaR.

TRADING ACTIVITIES VAR IN 2011 – 99%



In 2011, VaR fluctuated within the R$ 10 million to R$ 45 million range. This fluctuation is due basically to changes in the trading positions throughout the year.

VaR remained between R$ 14.3 million and R$ 26.2 million on 69% of the days in 2011.

The table below shows total daily VaR of Santander's trading portfolio on December 30, 2010 and December 30, 2011.

					On December 30 *(IN R$ MILLION)*
	2010				2011
		Minimum	Medium	Maximum	Closing of the period
Trading Activities	20.6	9.58	21.82	45.15	19.81

Quantitative analysis of interest rate risk in 2011

At the closing of 2011, the sensitivity of net interest margin in one year to a parallel increase of 100 base points in the yield curve in local currency was a negative R$ 263 million.

For the same period, the sensitivity of shareholders' equity to parallel increases of 100 base points in the interest rate curves was R$ 1,492 million, which accounts for 2.22% in shareholders' equity without premium, which is a Proxy for Equity Duration.

Photo: Pisco del Gaiso

OPERATIONAL, TECHNOLOGICAL AND MANAGEMENT RISKS IN BUSINESS CONTINUITY

Santander has a defined model for the management and control of technological and operational risks, which ensures daily adoption by managers, including the alignment to the global guidelines of the organization and the compliance with the requirements of the New Basel Accords – BIS II, in addition to the requirements of Brazil's Central Bank, the CVM and the SUSEP.

Aligned with national and international standards and regulations for the banking system, Santander adopts as "operational risks" those events that occur due to failures in or deficiencies by internal processes, staff, and systems, or those that derive from exposure to external events, which may or may not cause financial losses, affect the continuity of the businesses, or have a negative impact on our stakeholders.

After the technological integration, completed in the first half of 2011, the Operational Risk teams started to operate using unified procedures under stronger management with a better control of daily activities.

The methodologies were revised and resulted in the mapping of 100% of the risks inherent to our activities. This work enabled us to focus our efforts in areas that are most critical or with the highest probability of events occurring, both in terms of frequency and severity.

In addition, we intensified our classroom courses, which had the participation of more than 7,500 people and were held in the 7th Prevention and Control of Operational Risks Week, as well as the inclusion of online courses on operational risk as a regular offering of the bank.

An important test was applied to the Business Continuity Management area in the first half of the year. The test was applied by the headquarters in Spain aiming to determine the bank's capability to recover its systems in case of a crash of our Data Processing Center. No severe incidents were recorded.

In October, a new test was carried out, this time organized by Santander Brazil, with integrated evaluation covering the key business areas, and demonstrated a structure prepared to maintain our operations, even with the main Data Processing Center being down.

Management Model

To meet its challenges, Santander has developed and implemented a model that takes into account different aspects.

This model contributes to the dissemination of operational risk culture at the various hierarchical levels of the bank, having the effective support and direct involvement of top management in the matters related to the area. Thus, preventive treatment of these events at Santander has become a benchmark model for the Group.


Photo: Pisco del Gaiso

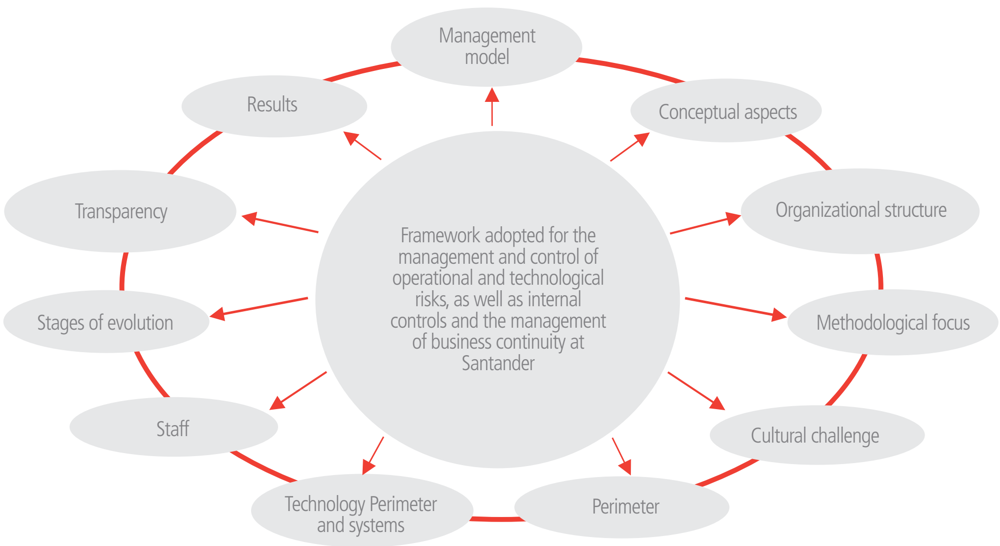
Operational Risks: comprises Information Security, Special Occurrences, Intelligence, and the Prevention of Fraud, Operational, and Technological Risks (which includes Business Continuity). Among other responsibilities, these areas are committed to disseminating the culture, and defining methodologies, standards, policies, tools, training, and procedures that are applicable and required for the effective management and control of operational risks. The Operational Risks area has standards, methodologies, and internal models based on best market practices for the identification, evaluation, monitoring, management, and control of operational risks.

Information Security Area: responsible for the definition and dissemination of security policies, standards, and projects designed for the protection of the bank's informational assets, based on the best global information security practices, and also compliance with the directives of the Santander Group. It guides security analyses and participates in technological projects within the scope of systems security, and defines access control models and the implementation of controls for the mitigation of security risks in the business areas. The area also conducts awareness programs on information security issues for employees and associates of the Group.

Area for Special Occurrences: responsible for the prevention, detection, and investigation of internal and external fraud, dealing with occurrences such as behavioral and normative deviations, providing guidance to managers on procedures, creating specific processes for the identification of abnormalities, and recommending solutions and proposals for improvements in internal controls. It also interacts with the other areas in the development of preventive alerts for the branch network and centralized areas, with the aim of preparing employees to fight fraud and avoid loss.

Center for Intelligence and Fraud Prevention: responsible for preventing, analyzing and controlling external fraud, reducing losses, and increasing the security of relationship channels. It also carries out monitoring and reaction activities, the identification of trends and new attempts, and the creation and implementation of anti-fraud strategy in channels, proposing and facilitating the development of solutions to prevent and fight fraud.

Area for Technological and Operational Risks: responsible for the implementation of best management practices and the control of operational and technological risks, including the Management of Business Continuity, in addition to assisting managers in the achievement of their strategic objectives, in the decision-making process, in performing their activities, and in the alignment and compliance with mandatory requirements, in addition to upholding the soundness, reliability and reputation of the bank.



Activities of the Operational and Technological Risk Area

Santander works with a centralized and decentralized approach to the management of Operational Risks, and has two main focuses: qualitative and quantitative.

The quantitative focus is co-related to the qualitative focus, helping to detect, correct and act in the prevention of operational risks, and providing mechanisms for analysis for strategic or operational decision-making.

The qualitative focus aims to identify and prevent operational risk and define the risk profile for the areas, processes, and products, and seeks to strengthen the internal control environment and monitor the key operational qualitative risk indicators (KRIs).

Both these focuses are responsible for providing methodologies, tools, and systems for assisting managers in the identification and evaluation of risks and controls. Additionally, they enable or contribute to the implementation of policies, standards, procedures, and tools to maintain the flow in the capture of risk events, operational losses, and key operational risk indicators for the bank, consolidating them into one single base.

The purpose is to ensure the analysis of risks, identification of their main causes and coordination, together with the managers in charge, of the effective implementation of the action plans established to mitigate and reduce operational risks and losses.

Additionally, this combination leads to synergies and optimization through the convergence of operational and technological risk management and business continuity, with direct impact on the determination of Economic and Regulatory Capital.

Key Methodology Tools Used:

Operational and Technological Risk Matrix: a customized tool used to identify and validate operational risks, their causes, and the control procedures identified in activities and processes. These methodologies are used in work meetings and self-evaluation.

Summarized Matrix for Operational and Technological Risks for New Products: a tool developed and used for the identification and validation of operational risks and existing internal controls before the launching of new banking products and services.

Self-evaluation Questionnaires (Generic and Specific): a corporate tool adopted to identify perception by managers with respect to the control environment in which they operate from a management perspective, and control of operational risks, enabling the definition of the criticality of the operating environment.

Internal Historical Database of Loss Events due to Operational Risks: contributes to the definition of the priorities in the action plans for the prevention and reduction of operational risks and losses resulting from such risks.

Preparation and Monitoring of Forecasts and Loss Limits due to Operational Risks: a process that ensures the commitment of the main areas with respect to the forecasts and loss limits due to operational risks in each fiscal year, with periodic monitoring and analysis of the fluctuations observed, anticipating the recommendation of action plans by the Operational and Technological Risk area, and the correction of deviations whenever necessary.

Analysis and Treatment of Material Failures and Occurrences: a process developed and implemented for the timely detection of actual material failures and occurrences, with the aim of taking corrective actions and implementing suitable preventive treatment, in order to minimize impact on the bank's stakeholders.

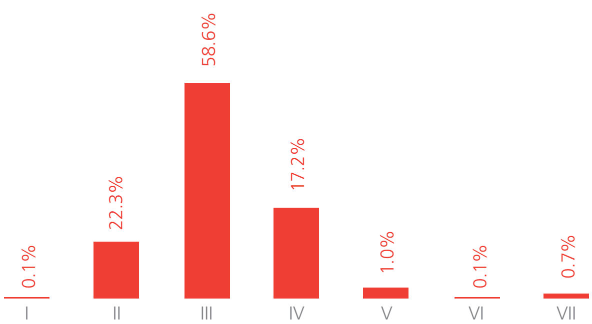
Identification and Monitoring of Action Plans for the Mitigation of Operational Risk Events and Material Occurrences: a process developed and implemented to control and monitor the implementation of action plans identified, based on events registered in the operational risk database, and the timely detection of failures and actual material occurrences.

Key Operational Risk Indicators: a tool developed by the bank to identify both relative and absolute trends and deviations, considering internal and external variables of volume metrics, thereby building a panel of key operational risk indicators customized to the requirements of Santander.

Severity of Losses from Operational Risks

Percentage distribution of frequency and severity of losses due to operational risks captured in 2011, under the Loss Event Category.

LOSSES FROM OPERATIONAL RISKS – SEVERITY 2011



I. Internal fraud.
II. External fraud.
III. Inappropriate labor practices and occupational safety.
IV. Inappropriate practices with clients, products and services.
V. Damage to physical assets.
VI. Failures or disruptions in systems and/or businesses.
VII. Failures in execution, delivery, in processes, and in the management of activities and processes.

Management and control of Technological Risks

Assists managers in identifying and assessing technological risks and respective internal controls specific to the processes and activities related to technology. It defines methodologies, tools, and systems for the corporate management of technological risks, and coordinates, with those in charge, preventive actions and initiatives to reduce the frequency and severity of events.

Management and control of Business Continuity Risks

Responsible for the co-ordination and control of the implementation, maintenance, and updating of the Business Continuity Management (GCN in Portuguese) methodologies in the different areas of Santander. The main objective of Business Continuity Management is to assess the need for the development and implementation of the Business Continuity Plan, validating the procedures and alternative infrastructure for the protection of people, reputation, values, and commitments to our stakeholders. These plans are developed based on the assessment of the impacts which a possible disruption in activities due to extreme events such as strikes, power blackouts, pandemics, civil unrest, and natural and physical disasters, could cause to the bank.

BIA (Business Impact Analysis): a tool used in the Business Continuity Management methodology to identify the impacts and recovery needs which would be generated by any extreme operational risk events which implies interruption of the business functions in the different areas.

Business Continuity Plan (PCN in Portuguese): a source of information for the area to preserve its teams and businesses, validating a strategic response to emergencies and resumption of the vital functions of the bank at an alternative location and within a maximum time limit as defined by the various areas.

Tests: annually, or whenever significant changes occur in the business environment, Business Continuity Plan tests are carried out. The Business Continuity Management area is in charge of monitoring the results, with the aim of improving the procedures adopted.

Crisis Response Group (GRC in Portuguese): a group that specifically deals with major crises affecting the organization, in order to protect people, preserve the bank's reputation, minimize business losses and operational damage, and ensure the resumption of normal operations.

Weekly Committee in the Operational Risks Area

Scope

The scope of the management and control of Operational and Technological Risks and Business Continuity Management goes beyond the identification of allocation and calculation of regulatory capital. This control has resulted in significant achievements for the bank, including:

- Improvements in operational efficiency and productivity in activities and processes and optimization of the allocation of Economic and Regulatory Capital;
- Alignment with existing regulations: BACEN, CVM, SUSEP and BIS-II;
- Strengthening of reputation and improvement in risk/return ratio with respect to our stakeholders;
- Timely alignment with new requirements by regulatory bodies;
- Maintenance and preservation of the quality and reliability of products and services available, as well as stakeholders;
- Identification and correct addressing of vulnerabilities identified in the processes;
- Monitoring of compliance to requests by regulatory bodies;
- Creation of management mechanisms to foster cultural changes and dissemination of accountability;
- Development and application of training programs, both online and classroom-based, aimed at disseminating the culture of Operational and Technological risks and Business Continuity Management;
- Dissemination of a culture for the management and control of Operational Risks through internal communication (intranet, printed material and other means).

Differential Factor

The operational risk area keeps its professional staff updated and trained to operate in the face of changes identified in the business environment and also makes training available for professionals at Santander through intranet- and classroom-based courses, consistent with the bank's strategy. The key initiatives are:

- The holding of a Week for the Prevention and Control of Operational and Technological Risks (Semana de Prevenção e Controle dos Riscos Operacionais e Tecnológicos);
- The Integration Program for New employees – "One single voice" (Uma só voz), with seminars and lectures on responsibility and involvement in the management of operational risk;
- Training in the procedures required for the assessment of the Internal Control Environment;
- Creation, dissemination, and maintenance of instruction manuals, enabling corporate dissemination to obtain universal commitment;
- Coordination of the annual process of forecasting losses due to operational risks, in addition to the definition of action plans for the reduction of such losses, and accountability;
- Development of key risk indicators in order to perform absolute and relative analyses based on volume metrics and benchmarks;
- Expansion/extension of the scope of Business Continuity Management, incorporating tests for disaster recovery;
- Integration with the other areas of the bank, appointing representatives for the most important areas, including Technology.

Capital Allocation

As a consequence of the methodology used, we must meet the requirements of the resolution 3,380 of 6/29/2006, from the National Monetary Council, which governs the implementation of a structure for the management of operational risks in financial institutions. Also adopted as of July 1, 2008, is the Standardized Alternative Method for the calculation of "Portion of Capital for Operational Risks" (Popr).

Regulatory capital allocated per business line

CONSUMPTION PER BUSINESS LINE FS6		2011
LN1	Corporate Finance	3.6%
LN2	Trading and sales	10.6%
LN3	Retail bank	17.6%
LN4	Commercial bank	36.1%
LN5	Payment and settlement	13.6%
LN6	Branch service	10.5%
LN7	Asset management	7.2%
LN8	Retail brokerage	0.9%
Total		100.0%

Consumption of regulatory capital calculated on the reference date 12.31.2011.

Future outlook

With the structure, methodologies and models developed and adopted by Santander, the management and control of the operational risks area seeks to strengthen the bank in the local and international scenarios, as well as maintain the bank's reputation for being an innovator in the management and control of operational, technological, and business continuity risks, as evidenced by the implementation of an efficient and effective internal control environment and the identification of exposure to risks.

UPON THE COMPLETION OF THE TECHNOLOGICAL INTEGRATION, MANAGEMENT OF OPERATIONAL RISKS TEAMS WAS ENHANCED, WITH BETTER CONTROL OF DAY-TO-DAY ACTIVITIES

WE ACCUMULATED R$ 399,886 MILLION IN ASSETS IN THE PERIOD, AND EXPANDED OUR PORTFOLIO BY A FURTHER 20%

CONSOLIDATED ECONOMIC-FINANCIAL INFORMATION IFRS

Key consolidated data

The following information is based on the consolidated results of Banco Santander (Brasil) S.A. and was prepared in accordance with International Financial Reporting Standards (IFRS). More financial information (unaudited) is presented in the attachment. The complete audited financial statements for 2011 will be available in the Investor Relations site and at the regulatory bodies by March 30, 2012.

The following data on the results and performance indicators are managerial, since they are based on the accounting results adjusted for the fiscal hedge operations of the investments in the Cayman branch and for the unification of accounting classification of the leasing transactions, carried out during the integration of the systems of Santander Leasing Arrendamento Mercantil, and non-recurring events considered relevant. We emphasize that these adjustments have no effect on net income. The reconciliation of the accounting result and the managerial result is available on page 67 of this report.

MANAGEMENT ANALYSIS	2011	2010	Var. 2011 x 2010
RESULTS (In R$ million)			
Net interest income	27,902	24,645	13.2%
Net fees	7,339	6,834	7.4%
Allowance for loan losses	(9,383)	(8,783)	6.8%
Administrative and personnel expenses	(12,372)	(11,230)	10.2%
Net profit	**7,755**	**7,382**	**5.1%**
BALANCE SHEET (In R$ million)			
Total assets	399,886	374,663	6.7%
Securities	75,257	89,823	-16.2%
Loan portfolio[1]	194,184	160,559	20.9%
Individuals	63,413	50,981	24.4%
Consumer finance	30,459	26,969	12.9%
SMEs	47,940	38,178	25.6%
Corporate	52,373	44,431	17.9%
Expanded Credit Portfolio[2]	208,862	172,174	21.3%
Funding from Clients[3]	180,508	159,882	12.9%
Total final equity	78,032	73,364	6.4%
Total average equity excluding goodwill[4]	47,741	43,563	9.6%
PERFORMANCE INDICATORS (%)			
Return on shareholders' average equity	10.2%	10.3%	-0.1 p.p.
Return on shareholders' average equity excluding goodwill[4]	16.2%	16.9%	-0.7 p.p.
Return on average asset	2.0%	2.2%	-0.2 p.p.
Efficiency Ratio[5]	34.0%	34.2%	-0.2 p.p.
Recurrence[6]	59.3%	60.9%	-1.5 p.p.
BIS ratio excluding goodwill[4/13]	19.9%	22.1%	-2.2 p.p.
PORTFOLIO QUALITY INDICATORS (%)			
Delinquency[7] - IFRS	6.7%	5.8%	0.9 p.p.
Delinquency[8] (more than 90 days) - BR GAAP	4.5%	3.9%	0.6 p.p.
Delinquency[9] (more than 60 days) - BR GAAP	5.5%	4.7%	0.8 p.p.
Coverage ratio IFRS[10]	85.5%	98.3%	-12.8 p.p.
Coverage ratio BR GAAP	136.8%	137.1%	-0.3 p.p.
OTHER DATA			
Assets under management - AUM (In R$ million)	113,022	111,338	1.5%
Numbers of credit and debit cards (thousand)	41,699	37,294	11.8%
Branches	2,355	2,201	154
PABs (mini branches)	1,420	1,495	(75)
ATMs	18,419	18,312	107
Total Customers (thousand)	25,299	23,038	2,260
Total current account (thousand)[11]	19,322	18,085	1,236
Employees[12]	54,602	54,406	196

1 Management information.
2 Includes other Credit Risk Transactions with clients ("Debenture", FIDC, CRI, Floating Rate Notes and Promissory Notes) and acquired portfolio.
3 Includes savings, demand deposits, time deposits, debenture, LCA, LCI and Treasury Notes (Letras Financeiras - LFT).
4 Goodwill from the acquisition of Banco Real and Real Seguros Vida e Previdência. In 2011 exclude only the goodwill of the aquisition of Banco Real. In accordance with the Brazilian Central Bank, the BIS ratio, including the goodwill, is 28.4% in Dec/10 and 24.8% in Dec/11.
5 General expenses/total income.
6 Net commissions / General expenses.
7 (Portfolio overdue by more than 90 days plus loans with high default risk) / credit portfolio.
8 Portfolio overdue by more than 90 days / credit portfolio in BR GAAP.
9 Portfolio overdue by more than 60 days / credit portfolio in BR GAAP.
10 Allowance for loan losses / (portfolio overdue by more than 90 days plus loans with high default risk).
11 Active and inactive current account during a 30-day period, according to the Brazilian Central Bank.
12 Considering Banco Santander (Brasil) S.A. and its subsidiaries consolidated in the balance sheet.
13 Excluding the effect of goodwill as international rules on capital base I.

HIGHLIGHTS IN PERIOD

RESULTS

- **Net profit totaled R$7,755 million in 2011,** up 5.1% (or R$373 million) in comparison to R$7,382 million recorded in the same period of 2010. In the quarter, it decreased by 0.2%.

INDICATORS

- **Evolution of performance indicators** in the twelve month period (2011/2010):
  - Efficiency ratio: 34.0% in 2011, improving 0.2 p.p.
  - Recurrence ratio: 59.3% in 2011, down 1.5 p.p.
  - ROAE: 16.2% in 2011, down 0.7 p.p.
- **Soundness indicators:**
  - BIS Ratio: 19.9% in 2011, up 0.8 p.p. in three months and decreased 2.2 p.p. in 12 months.
  - Coverage ratio: 85.5% in December of 2011, down 3.5 p.p. in three months and 12.8 p.p. in the last 12 months.

BALANCE SHEET

- **Total Assets of R$ 399,886 million**, growing 6.7% in the last 12 months.
- **Loan portfolio of R$ 194,184 million,** up 20.9% in the last 12 months**. Expanded Credit portfolio increased 21.3%** in the same period to reach R$ 208,862 million.
- **Total Average Equity of R$ 47,741 million** (excluding average goodwill of R$ 27,975 million).

SANTANDER SHARES – BOVESPA: SANB11 (UNIT), SANB3 (ON), SANB4 (PN) AND NYSE (BSBR)

- Market Capitalization[1] on 29/12/2011: R$ 57 billion or US$ 30 billion.
- Number of shares (thousand): 399,044,117
- Earnings[2] in 2011 per:
  - lot of 1,000 Shares - R$ 19.43
  - lot of 10 Units - R$ 20.41

[1] Market capitalization: total shares (ON + PN)/105 (Unit = 50 PN + 55 ON) x Unit's closing price with a R$/US$ exchange rate of 1.8671. Excludes the total amount of shares repurchased until the end of September 2011, which corresponded 746,938,500 shares.

[2] Calculation does not consider the fact that the dividends attributed to the preferred shares are 10% higher than those attributed to the common shares.

Ratings

Santander is rated by the main international agencies and the ratings assigned reflect its operating performance and the quality of its management. In 4Q11, Standard & Poor's upgraded Santander Brasil's rating from BBB- to BBB, reflecting its strong business and capital position, appropriate risk position and profitability.

The following table presents the ratings assigned by the three major rating agencies.

RATINGS	Global Scale				Nacional Scale	
	Local Currency		**Foreign Currency**		**Nacional**	
RATING AGENCY	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
Fitch Ratings (outlook)	A- (stable)	F1	BBB+ (stable)	F2	AAA (bra) (stable)	F1+ (bra)
Standard & Poor's (outlook)	BBB (stable)	A-3	BBB (stable)	A-3	brAAA (stable)	brA-1
	Deposits - Local Currency		**Deposits - Foreign Currency**		**Nacional**	
Moody's (outlook)	A2 (stable)	Prime-1	Baa2 (positive)	Prime-2	Aaa.br (stable)	Br-1

Ratings as published in the respective rating agency's reports: Fitch Ratings (April 7, 2011); Standard & Poor's (November 29, 2011) and Moody's (June 20, 2011).

Recent Events

SALE OF SANTANDER SEGUROS

Based on the prior approval granted by the Superintendência de Seguros Privados (SUSEP) on August 23, 2011, the sale ("Transaction") of all the shares issued by the Company's wholly-owned subsidiary Santander Seguros S.A. ("Santander Seguros") was concluded on October 5, 2011. These shares were sold to: (i) Zurich Santander Insurance America, S.L., a holding company headquartered in Spain ("Zurich Santander Insurance"), fifty-one percent (51%) directly or indirectly owned by Zurich Financial Services Ltd. and its subsidiaries ("Zurich"), and forty-nine percent (49%) owned by Banco Santander, S.A. ("Santander Spain"), and (ii) Inversiones Zurich Santander America SPA, a company headquartered in Chile and owned by Zurich Santander Insurance ("Inversiones ZS"). The conclusion of this transaction comprised the effective transfer (i) by Santander Brasil to Zurich Santander Insurance of 11,251,174,948 common shares issued by Santander Seguros, and (ii) by Santander Brasil to Inversiones ZS of three (3) common shares of Santander Seguros, and the payment of the preliminary purchase and sale price of R$2,751,557,571.98 to Santander Brasil. The final purchase and sale price will be established at an appropriate time, based on a special balance sheet to be prepared by Santander Seguros for the period ended September 30, 2011, and on the purchase price adjustment mechanism set forth in the relevant Stock Purchase Agreement dated July 14, 2011. Once this price is defined, Santander Brasil will disclose it to the public in general, and will formalize the offer of the right of first refusal for its shareholders, as set forth in Article 253 of Law No. 6404/76. The Transaction is part of the strategic alliance abroad between Santander Spain and Zurich, involving the acquisition, by Zurich Santander Insurance, of all property, casualty and life insurers, as well as private pension funds of Santander Spain in Argentina, Brazil, Chile, Mexico and Uruguay. As part of the Transaction, the Bank will offer the insurance products exclusively through its branch network for the next 25 years, with the exception of auto insurance, which is not included in the Transaction's exclusivity clause. As a result of these agreements, Banco Santander will be remunerated in line with current practices.
The Transaction aims to strengthen Banco Santander's operations in the insurance market by ensuring a wider range of products covering clients that are not currently served by insurers, and by leveraging distribution capacity. The Transaction, under the terms of the applicable regulation, is subject to ratification by SUSEP.

ADDENDUM TO FORM F-3 AND SALE OF ADS BY SANTANDER GROUP

On November 14, 2011, Banco Santander formalized a registration request with the Securities and Exchange Commission ("SEC") for a second addendum to the Registration Statement in Form F-3, with immediate validity, allowing the sale of Banco Santander ADSs or Units by Santander Group companies or by Banco Santander. In addition, pursuant to the supplementary prospectus filed on November 16, 2011, any shareholder of Banco Santander S.A. ("Santander Spain"), Grupo Empresarial Santander S.L., and Banco Madesant – Sociedade Unipessoal S.A. (an affiliate company of the Group) may offer for sale, periodically, up to 310,832,288 Banco Santander's ADSs or Units. The purpose of said documents is to ensure that approximately 8% of Banco Santander's capital is registered and available for sale by Banco Santander and some Santander Group subsidiaries. As announced by Santander Spain, the intention of the Santander Group is that this registration is used: (i) to give the Santander Group more flexibility in relation to complying with its commitment of delivering approximately 5% of its shareholding in Banco Santander as set forth in the exchangeable securities issued; and (ii) to comply with the commitment of Santander Spain to ensure a Banco Santander free float of 25% prior to October 2012 (or, subject to an agreement with the Securities, Commodities and Futures Exchange (BM&FBovespa), prior to October 2014), when market conditions are more appropriate. There were no requests for a public offering in Brazil filed with the CVM.

On January 9, 2012, GES transferred to Santander Spain, ADRs representing approximately 5.18% of Santander Brasil's stock, as part of an internal reorganization in the Santander Group, to transfer approximately 4.41% of Santander Brasil's stock to a third party, which shall deliver this shareholding to the holders of exchangeable securities issued by Santander Spain in October 2010, upon the maturity and according to the terms of the Bond. The issuance of these exchangeable securities by Santander Spain was disclosed through a Material Fact dated October 29, 2010. As a result of such transfers, Santander Spain, directly or indirectly, held 78.14% of the voting capital and 76.97% of the total capital of Santander Brasil, while free float corresponded to 22.75% of the total capital[1].

[1] Total capital = Santander Spain: 76.97%, Free Float: 22.75% and Employee/others: 0.28%.

STRATEGY

On the first half of 2011, Santander was focused in the finalization of the integration process with Banco Real and, in the second half of the year, once the integration was finished, the Bank started to execute the Strategic Plan for the 2011-2013 period. The details of this plan were shared with the market on September, 2011, when Banco Santander Brasil attended the Santander Group's Investor Day in London. Its main strategic priorities, as presented to the market, are as follows:

- The focus in improving customer services through quality services and infrastructure. The goal for opening branches in the period is between 100 and 120 branches per year;
- To intensify the relationship with customers in order to become the bank of choice of our customers by 2013;
- To increase the commercial punch in key segments/ products, such as SMEs, issuer cards, acquiring business, mortgages and auto loans;
- To take advantage of cross selling opportunities for products and services;
- To continue building and strengthening the Santander brand in Brazil until it becomes one of the TOP 3 financial brands in attractiveness;
- To maintain its prudent risk management.

Santander also announced that, in 2012 and 2013, it expects to increase, by a compound annual growth rate, its net profit around 15%, revenues in the 14%-16%, costs (includes amortization) 11%-13% and total loan portfolio 15%-17%, in accordance with International Financial Reporting Standards (IFRS).

In addition, there was the launch of the plan "Rio 2 mil e sempre", which aims to increase significantly the presence of the Bank in Rio de Janeiro State.

This actions show that, with of the end of de integration process, the bank is now much better equipped to develop its business, with highly qualified teams, product's competitive offerings and a strong communication strategy, and is fully committed to becoming the best and most efficient bank in the country in terms of creating value for its shareholders, ensuring client and employee satisfaction and building an attractive brand. With this in mind, it is engaged in the constant pursuit of simplicity, security, efficiency, profitability and the highest standards of quality.

Positioned as a universal bank focused on retail, Santander shares the best global practices that set its business model apart. Efficient cost management, a strong capital base and conservative risk management translate this differential, which is based on 5 main pillars:

1) Customer oriented; 2) Global franchise; 3) Cost efficiency; 4) Prudent risk management; and 5) Solid balance sheet.

In the fourth quarter of 2011, Santander launched several initiatives to improve client service and customer satisfaction, including improvements designed to simplify and speed up systems and processes, such as the unification of call center procedures, more efficient phone service and the replacement of more than 1,300 ATMs.

It also began providing Van Gogh (high income segment) clients with a series of new benefits, offering them support for real estate services during and after purchase, with advisory services and special conditions.

EXECUTIVE SUMMARY

Banco Santander reported net profit of R$7,755 million in 2011, presenting a growth of 5.1% over the same period in 2010 and decline of 0.2% from the previous quarter. Total average equity in 2011 stood at R$47,741 million, which excludes R$27,975 million in goodwill (average) from the acquisition of Banco Real. Return on average equity adjusted for goodwill was 16.2% in the 2011, declining by 0.7 p.p. from the same period a year earlier.

Photo: Pisco del Gaiso

In the fourth quarter of 2011, Banco Santander Brasil concluded the sale of Santander Seguros for R$ 2.7 billion, which resulted in a profit of R$ 424 million in IFRS.

The efficiency ratio stood at 34.0% in 2011, improving by 0.2 p.p. from the same period of 2010. This is largely due to the increase in revenue from interest and fees, of 13.2% and 7.4% respectively. General expenses (administrative + personnel), on the other hand, increased 10.2% in the last 12 months, partially explained by the impact of the expansion of sales teams. In the quarter, the efficiency ratio increased by 1.9 p.p. to 35.3%.

- Sound Balance Sheet: The BIS ratio stood at 19.9% in December 2011, for a decrease of 2.2 p.p. in the last 12 months. Meanwhile, the coverage ratio stood at 85.5% in December 2011.

The credit portfolio totaled R$ 194,184 million in December 2011, up 20.9% in twelve months (or an increase of R$ 33,625 million) and 5.1% in the quarter. The Individual segment grew 24.4% in twelve months and 5.4% in the quarter. The most successful products in the portfolio in both periods were cards and mortgages.

It's important to highlight the strong acceleration of activities in the Consumer Finance segment, thanks to the restructuring that involved strengthening of the sales team, improved risk management, and adaptation of products and operations. This segment registered growth of 12.9% in twelve months and 6.1% in the quarter.

Credit to small and medium enterprises (SMEs) stood at R$ 47,940 million in 4Q11, up 25.6% in twelve months and 8.5% in the quarter.

The expanded credit portfolio[1] grew by 21.3% in the last 12 months and 4.8% on the previous quarter.

Total funding, which includes funding from clients[2] and assets under management, reached R$293,530 million in December 2011, with growth of 8.2% from a year earlier and stable in the quarter. Funding from clients reached R$180,508 million in the fourth quarter of 2011, growing 12.9% in the last 12 months and 1.2% in the quarter.

[1] Includes portfolio acquisitions and other operations with credit risk (debentures, receivables-backed investment funds, mortgage-backed securities, promissory notes and promissory notes placed abroad).

[2] Include savings deposits, demand deposits, time deposits, debentures, agricultural notes (LCA), real estate notes (LCI) and treasury notes (Letras Financeiras - LTF).

Accounting and managerial results reconciliation

To provide a better understanding of the results in IFRS, this report presents the Managerial Income Statement. The main difference from the Reported (Accounting) Income Statement is the adjustments made for the fiscal hedge operations of the investments in the Cayman branch, for the unification of accounting classification procedures for leasing transactions and the impacts from non-recurring events in the period. Both adjustments have no effect on net profit.

Fiscal Hedge: the effects from fiscal hedge that previously were recorded in the income tax line were reclassified to the gain (losses) from financial assets and liabilities line. Under Brazilian income tax rules, gains (losses) resulting from the BRL/USD exchange rate variation on the dollar-denominated investments at the Cayman branch are not taxable (tax deductible). This tax treatment leads to foreign exchange rate exposure in the tax line. A hedge position, composed of derivatives, was set up so that the Net Profit is protected from the FX variations related to the foreign exchange exposure of the income tax line. Therefore, our effective tax rate and the income from gains (losses) on financial assets and liabilities plus exchange rates differences are still impacted by foreign exchange fluctuations.

Santander Leasing: unification of the accounting classification of leasing transactions made during the integration of systems. In 2011 there is no effect of this adjustment.

Significant non-recurring events in the period: the gains related to the sale of Santander Seguros S.A. ("Santander Seguros") to Zurich Santander Insurance America, stood at R$ 424 million in IFRS[1]. This value is registered as "net gains on disposal assets (net)". Additionally, we increased the provisions for contingencies in the same amount, during the period.

Note that adjustments have no effect on net profit in IFRS.

All information, indicators and comments concerning the Income Statement in this report are based on the Managerial Income Statement, except where stated otherwise.

[1] The gain from the sale was higher BR GAAP and amounted to R$ 649 million. The difference between the gain in BR GAAP and IFRS is explained by the difference in goodwill in both Accounting Standards. In BR GAAP as in IFRS, the net profit was not impacted.

INCOME STATEMENT *(IN R$ MILLION)*

	2011 Reported	Fiscal Hedge	Non-recurring events	2011 Managerial	2010 Reported	Fiscal Hedge	Adjustment *Leasing*	2010 Managerial
Net Interest Income	27,902			27,902	24,095		(550)	24,645
Income from equity instruments	95			95	52			52
Share of results of entities accounted for using the equity method	53			53	44			44
Net fees	7,339			7,339	6,834			6,834
Fee and commission income	8,769			8,769	7,833			7,833
Fee and commision expense	(1,430)			(1,430)	(999)			(999)
Gains (losses) on financial assets and liabilities (net) + exchange rate differences (net)	(234)	(1,646)		1,412	1,875	272		1,603
Other operating income (expenses)	(380)			(380)	(348)			(348)
Total income	**34,775**	**(1,646)**		**36,421**	**32,552**	**272**		**32,830**
General expenses	(12,372)			(12,372)	(11,230)			(11,230)
Administrative expenses	(5,728)			(5,728)	(5,304)			(5,304)
Personnel expenses	(6,644)			(6,644)	(5,926)			(5,926)
Depreciation and amortization	(1,462)			(1,462)	(1,237)			(1,237)
Provisions (net)[1]	(3,061)		(424)	(2,637)	(1,974)			(1,974)
Losses on assets (net)	(9,422)			(9,422)	(8,255)			(8,805)
Allowance for loan losses[2]	(9,383)			(9,383)	(8,233)		550	(8,783)
Losses on other assets (net)	(39)			(39)	(22)			(22)
Net gains on disposal of assets	452		424	28	140			140
Net profit before tax	**8,910**	**(1,646)**	**-**	**10,556**	**9,996**	**272**		**9,724**
Income tax	(1,155)	(1,646)		(2,801)	(2,614)	(272)		(2,342)
Net profit	**7,755**	**-**		**7,755**	**7,382**	**-**		**7,382**

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

MANAGERIAL INCOME STATEMENT [1]
(EM MILHÕES DE REAIS)

	2011	2010	Var. 2011x2010
Net Interest Income	27,902	24,645	13.2%
Income from equity instruments	95	52	82.7%
Share of results of entities accounted for using the equity method	53	44	20.5%
Net fees	7,339	6,834	7.4%
Fee and commission income	8,769	7,833	11.9%
Fee and commision expense	(1,430)	(999)	43.1%
Gains (losses) on financial assets and liabilities (net) + exchange rate differences (net)	1.412	1.603	-11.9%
Other operating income (expenses)	(380)	(348)	9.2%
Total income	**36,421**	**32,830**	**10.9%**
General expenses	(12,372)	(11,230)	10.2%
Administrative expenses	(5,728)	(5,304)	8.0%
Personnel expenses	(6,644)	(5,926)	12.1%
Depreciation and amortization	(1,462)	(1,237)	18.2%
Provisions (net)[2]	(2,637)	(1,974)	33.6%
Losses on assets (net)	(9,422)	(8,805)	7.0%
Allowance for loan losses[3]	(9,383)	(8,783)	6.8%
Losses on other assets (net)	(39)	(22)	77.3%
Net gains on disposal of assets	28	140	-80.0%
Net profit before tax	**10,556**	**9,724**	**8.6%**
Income tax	(2,801)	(2,342)	19.6%
Net profit	**7,755**	**7,382**	**5.1%**

1 Includes the Cayman tax reclassification, the unification of the accounting classification of leasing transactions and non-recurring events.
2 Includes provisions for civil, fiscal, labor and others litigations.
3 Includes recoveries of loans previously written off.

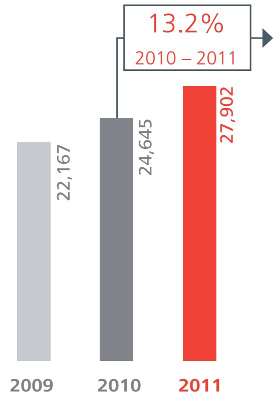
Net interest income in 2011 was R$ 27,902 million, presenting a growth of 13.2% from the same period of 2010. Compared to the prior quarter, net interest income grew by 10.2%.

Revenues from credit operations climbed by 19.1% in the last 12 months and by 8.3 % from the previous quarter, thanks to the growth in the average portfolio volume, of R$28.1 billion and R$12.2 billion in twelvemonths and three months, respectively. Revenues from deposits grew by 22.2% in 12 months but dropped 4.6% in the quarter.

The 'non-interest bearing liabilities and others' line declined 5.3% in 12 months.

NET INTEREST INCOME

(IN R$ MILLION)



NET INTEREST INCOME[1] *(IN R$ MILLION)*

	2011	2010	Var. 2011x2010
Credit	**21,020**	**17,655**	**19.1%**
Average Volume	171,500	143,382	19.6%
Spread (Annualized)	12.3%	12.3%	-0.1 p.p.
Deposits	**1,163**	**952**	**22.2%**
Average Volume[1]	116,980	104,533	11.9%
Spread (Annualized)	1.0%	0.9%	0.1 p.p.
Non-interest bearing liabilities and others	**5,719**	**6,038**	**-5.3%**
Non-interest bearing liabilities and others	**27,902**	**24,645**	**13.2%**

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

GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES (NET) + EXCHANGE RATE DIFFERENCES

Excluding the effects from tax hedging of the investments at the Cayman branch, gains (losses) on financial assets and liabilities (net) plus exchange differences totaled R$1,412 million in 2011, representing a decrease of 11.9% from the same period in 2010. In the quarter, the 66.3% loss reflects the lower financial gains from treasury and clients.

GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES (NET) *(IN R$ MILLION)*

	2011	2010	Var. 2011x2010
Total	**(234)**	**1,875**	**-112.5%**
Cayman Fiscal Hedge	(1,646)	272	n.a.
Total excluding Cayman Hedge	**1,412**	**1,603**	**-11.9%**

NET FEES

Net fees amounted to R$7,339 million in 2011, up 7.4% from the same period in 2010, driven mainly by commissions on insurance policies and savings bonds and the sustained growth of the credit card business. In the quarter, total fees increased by 1.0%.

Commissions on insurance policies and savings bonds climbed by 28.8% to R$1,560 million in 2011, partly due to the change in the effective term of life and personal accident premiums, which in 2011 ceased to be renewed on a monthly basis and began to be renewed on an annual basis.

Revenues from credit and debit cards totaled R$ 1,298 million in 2011, increasing 33.9% in the last 12 months, mainly due to the growth in the acquiring business.

Asset management and pension fund fees came to R$1,204 million in 2011, up 5.9% in the last 12 months.

NET FEES[1]
(IN R$ MILLION)

	2011	2010	Var. 2011x2010
Banking fees	2,465	2,369	4.0%
Insurance and capitalization	**1,560**	**1,211**	**28.8%**
Asset management and pension plans	**1,204**	**1,137**	**5.9%**
Credit and Debit Cards	1,298	969	33.9%
Receiving services	515	506	1.8%
Collection	400	398	0.4%
Bills, taxes and fees	116	108	6.7%
Capital markets	419	502	-16.6%
Foreign trade	400	456	-12.3%
Others[1]	(522)	(318)	63.9%
Total	**7,339**	**6,834**	**7.4%**

[1]Includes taxes and others.

GENERAL EXPENSES (ADMINISTRATIVE + PERSONNEL)

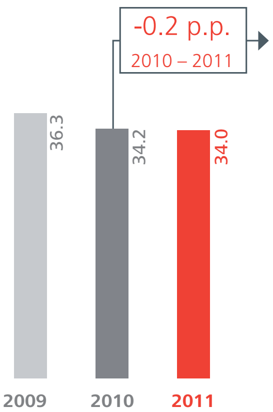
General expenses (administrative + personnel) totaled R$ 12,372 million in 2011, up 10.2% from 2010, partially explained by the impact of the expansion of the sales teams.

Administrative expenses amounted to R$ 5,728 million in 2011, up 8.0% in twelve months.

Personnel expenses totaled R$ 6,644 million in 2011, up 12.1% in twelve months.

The efficiency ratio, obtained by dividing general expenses by total revenue, reached at 34.0%, up 0.2 p.p. on the previous year.

EFFICIENCY RATIO
(%)



EXPENSES *(IN R$ MILLION)*

	2011	2010	Var. 2011x2010
ADMINISTRATIVE EXPENSES			
Specialized third-party technical services	1,564	1,504	4.0%
Asset maintenance and conservation	1,087	966	12.6%
Data processing	1,006	889	13.2%
Advertising, promotions and publicity	493	422	16.9%
Communications	566	555	2.0%
Transport and travel	174	151	15.4%
Security and surveillance	521	513	1.6%
Others	316	304	3.9%
Total	**5,728**	**5,304**	**8.0%**
PERSONNEL EXPENSES			
Salaries	4,192	3,731	12.3%
Social security and pension plans	1,092	994	9.8%
Benefits	866	792	9.3%
Training	116	93	24.4%
Others	379	316	20.1%
Total	**6,644**	**5,926**	**12.1%**
ADMINISTRATIVE EXPENSES + PERSONNEL EXPENSES	**12,372**	**11,230**	**10.2%**
DEPRECIATION AND AMORTIZATION	**1,462**	**1,237**	**18.2%**
TOTAL GENERAL EXPENSES AND AMORTIZATION	**13,834**	**12,467**	**11.0%**

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses, including the total revenue recovered, reached R$ 9,383 million in 2011, increasing 6.8% over 2010. In the quarter, the provision expense, net of recoveries, fell 14.2%, chiefly due to lower write-offs and the increase in the recovery of credit written off as loss.

RESULT OF ALLOWANCE FOR LOAN LOSSES[1] *(IN R$ MILLION)*

	2011	2010	Var. 2011x2010
Expense for allowance for loan losses [1]	(11,191)	(9,600)	16.6%
Income from recovery of credit written off as loss	1,809	818	121.3%
Total	**(9,383)**	**(8,783)**	**6.8%**

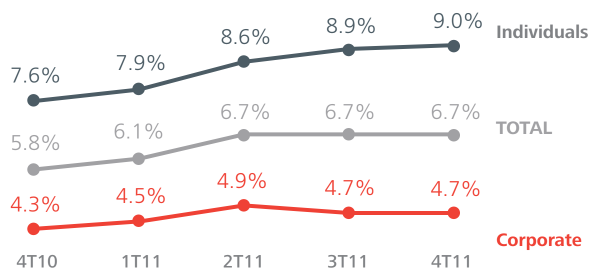
[1] In 2010, includes impact of the R$ 550 million due for the unification of accounting classification procedures for leasing transactions.

DELINQUENCY RATIO (IFRS)

Delinquency ratio (credits overdue more than 90 days plus performing loans with high delinquency risk) stood at 6.7% in the fourth quarter, remaining stable in comparison with the previous quarter. Compared to the same period in 2010, the ratio went up by 0.9 p.p., driven by the Individual segment, which registered a 1.4 p.p. increase in the period. The corporate segment recorded a growth of 0.4 p.p.

Note that the delinquency ratio is more conservative under IFRS than BR GAAP and therefore is not comparable.

DELINQUENCY[1] – IFRS (%)

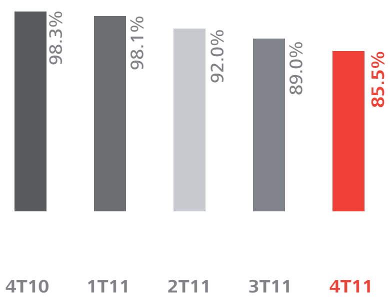


[1] Portfolio overdue by more than 90 days plus loans with high default risk / credit portfolio.

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 the fourth quarter of 2011, the ratio reached 85.5%, declining 3.5 p.p. from the previous quarter.

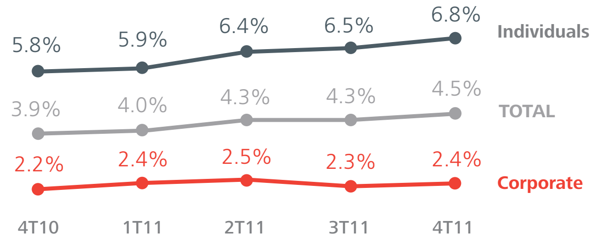
COVERAGE - IFRS



DELINQUENCY RATIO IN BR GAAP (OVER 90 DAYS)

Credits overdue more than 90 days amounted to 4.5% of the total portfolio in the fourth quarter of 2011, for an increase of 0.2 p.p. in three months, in line with the growth of Financial System evolution. In the twelve month period, the delinquency ratio rose 0.6 p.p. as a result of the 1.0 p.p. increase in the Individual segment.

DELINQUENCY[1] – BR GAAP
(OVER 90)

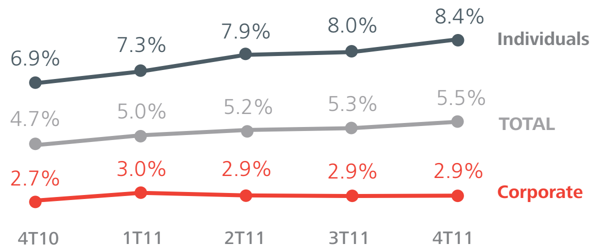


[1] Portfolio overdue by more than 90 days / Credit Portfolio BR GAAP.

NON-PERFORMING LOANS (OVER 60 DAYS)

Non-performing loans overdue more than 60 days stood at 5.5% in the 4Q11, increasing by 0.8 p.p. in 12 months and by 0.2 p.p. in the quarter.

NPL[1]- DELINQUENCY - BR GAAP (OVER 60)

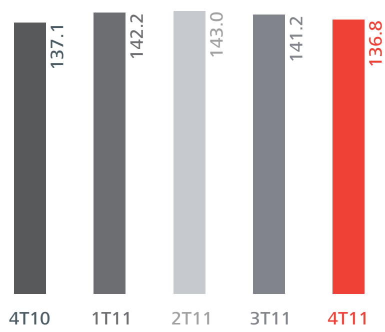


[1] Portfolio overdue by more than 60 days / Credit Portfolio.

COVERAGE RATIO (BR GAAP)

The BR GAAP coverage ratio is obtained by dividing the allowance for loan losses by loans overdue more than 90 days. In the 4Q11, the ratio reached 136.8%, decreasing 4.4 p.p. from the previous quarter and remained relatively stable in relation to the same period of 2010.

COVERAGE - BR GAAP
(%)



NET PROVISIONS

In the fourth quarter of 2011, additional provisions for contingencies amounting to R$ 424 million were set up. The net provisions, adjusted for this addition provision, amounted to R$ 2,637 million in 2011, increasing 33.6% in twelve months and14.4% in three months.

NET PROVISIONS *(IN R$ MILLION)*

	2011	2010	Var. 2011x2010
Total Provisions[1]	**(2,637)**	**(1,974)**	**33.6%**

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

INCOME TAX

Income tax totaled R$ 2,801 million in 2011, 19.6% more than in the same period of 2010 and 34.8% in the quarter.

Note that the tax line includes income tax, social contribution tax, PIS and COFINS and excludes the effects from the Cayman tax hedge positions, as already explained on page 11 of this report.

Photo: Pisco del Gaiso

BALANCE SHEET[1]

ASSETS
(IN R$ MILLION)

	2011	2010	Var.2011x2010
Cash and balances with the Brazilian Central Bank	65,938	56,800	16.1%
Financial assets held for trading	29,901	24,821	20.5%
Other financial assets at fair value through profit or loss	666	17,939	-96.3%
Loans and advances to credit institutions	61	292	-79.1%
Debt Instruments	230	224	2.7%
Equity Instruments	375	17,423	-97.8%
Available-for-sale financial assets	44,608	47,206	-5.5%
Loans and receivables	202,757	174,107	16.5%
Loans and advances to credit institutions	19,691	22,659	-13.1%
Loans and advances to customers	194,184	160,559	20.9%
Debt Instruments	62	81	n.a.
Allowances for credit losses	(11,180)	(9,192)	21.6%
Tangible assets	5,008	4,518	10.8%
Intangible assets	31,436	31,962	-1.6%
Goodwill	27,218	28,312	-,9%
Others	4,218	3,650	15.6%
Tax assets	16,250	14,842	9.5%
Other assets	**3,322**	**2,468**	**34.6%**
Hedging derivatives	81	116	-30.2%
Non-current assets held for sale	132	67	n.a.
Investments in associates	422	371	13.7%
Others	2,687	1,914	40.4%
Total assets	**399,886**	**374,663**	**6.7%**

LIABILITIES
(IN R$ MILLION)

	2011	2010	Var.2011x2010
Financial liabilities held for trading	5,047	4,785	5.5%
Financial liabilities at amortized cost	291,451	253,341	15.0%
Deposits from credit institutions	51,527	42,392	21.5%
Customer deposits[2]	174,474	167,949	3.9%
Marketable debt securities	38,590	20,087	92.1%
Subordinated liabilities	10,908	9,695	12.5%
Other financial liabilities	15,952	13,218	20.7%
Liabilities directly associated with non-current assets held for sale	-	-	n.a.
Liabilities for insurance contracts	-	19,643	n.a.
Provisions[3]	9,515	9,395	1.3%
Tax liabilities	11,876	10,530	12.8%
Other liabilities	**3,965**	**3,605**	**10.0%**
Hedging derivatives	36	-	n.a.
Other liabilities	3,929	3,605	9.0%
Total liabilities	**321,854**	**301,299**	**6.8%**
Total Equity[4]	78,032	73,364	6.4%
Total liabilities and equity	**399,886**	**374,663**	**6.7%**

[1] Unaudited balance sheet accountant.
[2] Includes repo.
[3] Provisions for pensions and contingent liabilities.
[4] Includes minority interest and adjustment to market value.

In December 2011, Total Assets recorded a balance of R$ 399,886 million, up 6.7% in twelve months.

Total assets corresponding to Santander Seguros stood at R$24,731,463 in September 2011, chiefly represented by R$21,551,422 of securities (government bonds, private securities and shares in specially constituted funds – guarantors of PGBL/VGBL benefit plans).

SECURITIES

The securities portfolio stood at R$ 75,257 million in the fourth quarter of 2011, up 0.7% in three months, but down 16.2% in the twelve months, due to the transfer of "PGBL/VGBL fund quotas" to Zurich Santander Insurance America, S.L, as a result of the sale of Santander Seguros. Thus, for better comparability, we have excluded from the earlier periods the amounts corresponding to the "PGBL and VGBL Fund Quotas". In this comparison, total securities grew 3.9% and 0.7% in twelve months and three months, respectively.

SECURITIES
(IN R$ MILLION)

	Dec/11	Dec/10	Var. Dec11xDec10
Public securities	56,832	55,823	1.8%
Private securities, funds quotas / others	14,190	11,443	24.0%
PGBL / VGBL fund quotas	-	17,423	n.a.
Financial instruments	4,235	5,134	-17.5%
Total	**75,257**	**89,823**	**-16.2%**
Total Securities (excluding PGBL / VGBL fund quotas)	**75,257**	**72,400**	**3.9%**

CREDIT PORTFOLIO

The credit portfolio stood at R$ 194,184 million in the fourth quarter of 2011, growing 20.9% in the last 12 months and 5.1 % in the last three months. Excluding the effects of the appreciation in the Brazilian Real against U.S. Dollar, the credit portfolio grew by 19.2% from December 2010.

Under IFRS, the credit portfolio does not include the acquisition of portfolios from other banks with full recourse. If we include the balance of these acquisitions and exclude foreign exchange effects, the credit portfolio grew by 19.7%.

The expanded credit portfolio, which includes portfolio acquisitions and other operations with credit risk, grew by 21.3% in the last 12 months and by 4.8% on the prior quarter. Other operations with credit risk were originated in the Corporate Segment.

Under BR GAAP, the expanded credit portfolio stood at R$ 208,846 million at the end of 2011, a climb of 20.9%in twelve months and 4.5% in the quarter.

MANAGERIAL BREAKDOWN OF CREDIT[1] TO CLIENTS
(IN R$ MILLION)

	Dec/11	Dec/10	Var. Dec11xDec10
Individuals	63,413	50,981	24.4%
Consumer finance	30,459	26,969	12.9%
SMEs	47,940	38,178	25.6%
Corporate	52,373	44,431	17.9%
Total	**194,184**	**160,559**	**20.9%**
Other credit related transactions[2]	11,784	7,414	58.9%
Acquired Portfólio[3]	2,894	4,200	-31.1%
Total expanded credit portfolio	**208,862**	**172,174**	**21.3%**
Total guarantees	23,259	22,563	3.1%
Total Expanded Credit Portfolio with guarantees	**232,121**	**194,737**	**19.2%**
Total expanded[2] credit portfolio - BR GAAP (excluding guarantees)	**208,846**	**172,792**	**20.9%**

1 SMEs and Corporate loans for the year 2010 have been reclassified for comparison purposes with the current period, due to re-segmentation of clients occurred in 2011.
2 Includes Debenture, FIDC, CRI , Floating Rate Notes and Promissory Notes.
3 Credit portfolios, mainly Payroll loans, purchased with recourse from other banks.

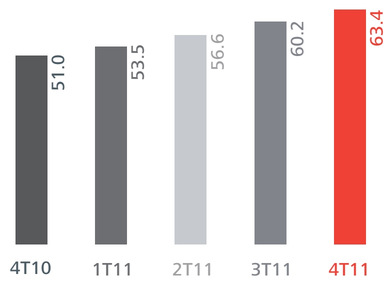
LOANS TO INDIVIDUALS

In the end of 2011, loans to individuals came to R$ 63,413 million, growing 24.4% in the last 12 months.

The credit card portfolio expanded by 31.5% in the last 12 months and by 14.1% in the quarter, reaching R$ 14,144 million in the fourth quarter of 2011.

Mortgage loans to individuals totaled R$ 10,018 million, up 49.6% in the last 12 months and 12.8% in the quarter.

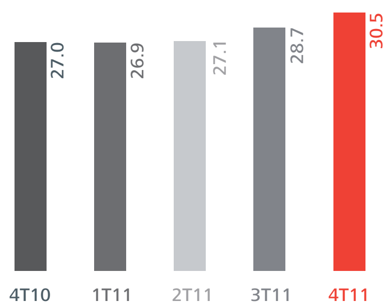
INDIVIDUALS *(R$ BILLION)*



CONSUMER FINANCE

In 4Q11, the consumer finance portfolio totaled R$ 30,459 million, up 12.9% in twelve months and 6.1% in the quarter. The accelerated growth in the quarter mainly reflects the restructuring of the sales teams, with improved risk management (automatic decision), adaptation of products and operations, and strengthening of the sales team, which helped expanding the client base.

CONSUMER FINANCE
(R$ BILLION)



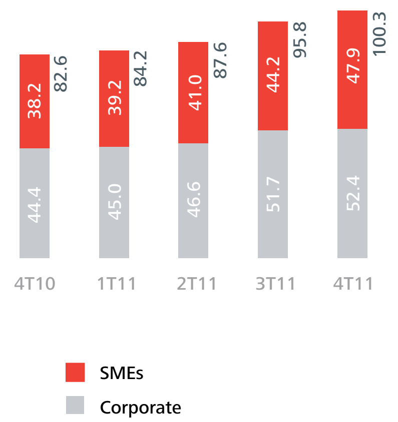
CORPORATE AND SMES LOANS

Credit to corporate and Small and Medium Enterprises reached R$100,313 million in the fourth quarter of 2011, growing by 21.4% in the last 12 months and 4.7% in the quarter. Part of the growth in the last twelve months is due to the exchange rate variation, since there are operations indexed to foreign currency in this segment. Excluding this effect, growth would be 18.0% in twelve months.

Loans to large companies came to R$52,373 million, up 17.9% in the last 12 months and 1.4% in the quarter. If we considered other operations with credit risk, given that a significant portion of these operations was originated in the large company segment, growth would be even higher.

Loans to small and medium companies totaled R$ 47,940 million in the fourth quarter of 2011, growing 25.6% from the same period last year and of 8.5% in the quarter.

CORPORATE AND SMES LOANS
(R$ BILLION)



INDIVIDUALS AND CORPORATE LOAN PORTFOLIO BY PRODUCT

The following table presents a breakdown of the credit portfolio by product. As mentioned earlier, growth in the Individuals portfolio was led by mortgage loans and credit cards.

In the Corporate portfolio, the highlights were real estate credit, which grew by 16.5% in the last 12 months and working capital/others.

BREAKDOWN OF MANAGERIAL CREDIT 2.2 FS6
(IN R$ MILLION)

	Dec/11	Dec/10	Var. Dec11xDec10
Individuals			
Leasing / Auto Loans[1]	2,277	2,471	-7.9%
Credit Card	14,144	10,760	31.5%
Payroll Loans[2]	15,142	13,800	9.7%
Mortgages	10,018	6,698	49.6%
Agricultural Loans	2,492	2,817	-11.5%
Personal Loans / Others	22,234	18,635	19.3%
Total Individuals including acquired portfolio	**66,307**	**55,181**	**20.2%**
Total Individuals excluding acquired portfolio	**63,413**	**50,981**	**24.4%**
Consumer Finance	**30,459**	**26,969**	**12.9%**
Corporate and SMEs			
Leasing / Auto Loans	3,029	3,051	-0.7%
Real State	6,280	5,392	16.5%
Trade Finance	17,749	19,820	-10.4%
On-lending	9,070	8,077	12.3%
Agricultural Loans	1,909	2,063	-7.5%
Working capital / Others	62,276	44,206	40.9%
Total Corporate and SMEs	**100,313**	**82,608**	**21.4%**
Total Credit	**194,184**	**160,559**	**20.9%**
Other Credit Risk Transactions with clients[3]	11,784	7,414	58.9%
Total Expanded[3] Credit Portfolio	**205,968**	**167,974**	**22.6%**
Acquired portfolio[4]	2,894	4,200	-31.1%
Total Expanded[3] Credit Portfolio including acquired portfolio	**208,862**	**172,174**	**21.3%**

[1] Including the loans to individual in the consumer finance segment, auto loan portfolio totaled R$ 27.556 MM no 4Q11,R$ 25,790 in 3Q11, R$ 24,173 million in 4Q10.2.
[2] Includes Payroll Loan acquired portfolio.
[3] Includes Debentures, FIDC, CRI, Floating Rate Notes and Promissory Notes.
[4] Credit portfolios, mainly payroll loans, acquired from other banks.


Photo: Pisco del Gaiso

FUNDING

Total funding, which includes funding from clients and assets under management, reached R$ 293,530 million in December 2011, increased 8.2% in twelve months and remained stable in the quarter.

Funding from clients reached R$ 180,508 million in December 2011, up 12.9% in twelve months and 1.2% in three months. The growth in twelve months is partly the result of an important funding instrument - treasury notes (Letras Financeiras). This instrument guarantees greater stability for funding, as the minimum maturity is two years. In addition, since December 2010, the treasury notes (*Letras Financeiras*) have been exempt from reserve requirements, in contrast to Time Deposits, whose reserve requirement increased from 23% to 32%.

In view of commercial objectives, we had a transfer of funds between saving accounts and Time Deposits, which did not impact the evolution of total deposits (called funding from clients in the table below) but had an impact between the account lines. Excluding this effect, the growth of time deposits and savings would be 8.6% and 6.9%, respectively, in twelve months, and -0.9% and 7.0% respectively, in the quarter.

FUNDING
(IN R$ MILLION)

	Dec/11	Dec/10	Var. Dec11xDec10
Demand deposits	13,561	16,131	-15.9%
Savings deposits	23,293	30,304	-23.1%
Time deposits	83,942	68,916	21.8%
Debenture/LCI/LCA[1]	39,787	37,892	5.0%
Letras Financeiras[2]	19,925	6,639	n.a.
Funding from clients	**180,508**	**159,882**	**12.9%**
Assets under management	113,022	111,338	1.5%
Funding from clients + AUM	**293,530**	**271,220**	**8.2%**

[1] Agribusiness Credit Notes (LCA).
[2] Bonds issued by Financial Institution on the domestic market also called treasury notes in this release.

CREDIT/FUNDING RATIO

The following table shows the sources of funds used in credit operations, which includes deposits from clients, net of reserve requirements, offshore and domestic funding, as well as securities issued abroad.

The credit/funding ratio reached 107% in December 2011.

The bank has a comfortable liquidity position and a stable and adequate funding structure.

FUNDING VS. CREDIT
(IN R$ MILLION)

	Dec/11	Dec/10	Var. Dec11xDec10
Funding from clients (A)	180,508	159,882	12.9%
(-) Reserve Requirements	(44,787)	(41,186)	8.7%
Funding Net of Compulsory	135,721	118,696	14.3%
Borrowing and Onlendings	10,221	11,842	-13.7%
Subordinated Debts	10,908	9,695	12.5%
Funding Offshore	24,592	19,237	2.8%
Total Funding (B)	**181,442**	**159,470**	**13.8%**
Total Credit (C)	**194,184**	**160,559**	**20.9%**
C / B (%)	**107%**	**101%**	**6.3 p.p.**
C / A (%)	**108%**	**100%**	**7.2 p.p.**

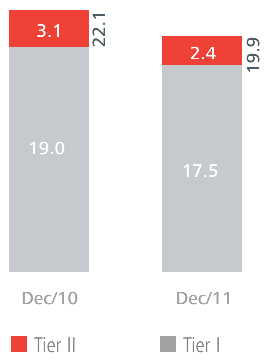
BIS RATIO – BR GAAP

The BIS ratio reached 19.9% in December of 2011, down 2.2 p.p. from the same period of 2010 and increase of 0.8 p.p. in the quarter.

Note that Brazilian regulation requires a minimum ratio of 11%.

The ratio below excludes unamortized goodwill1 while calculating the regulatory capital.

BIS RATIO
(%)



OWN RESOURCES and BIS[1]
(IN R$ MILLION)

	Dec/11	Dec/10	Var. Dec11xDec10
Adjusted Tier I Regulatory Capital[2]	48,327	44,884	7.7%
Tier II Regulatory Capital	6,642	7,433	-10.6%
Tier I and II Regulatory Capital[2]	**54,969**	**52,317**	**5.1%**
Required Regulatory Capital	30,432	26,020	17.0%
Risk-weighted assets	276,655	236,545	17.0%
Basel II Ratio[3]	**19.9%**	**22.1%**	**-2.2 p.p.**

Amounts calculated based on the consolidated information of the financial institutions (financial group).
1 BR GAAP figures are used for calculating local regulatory capital. In BR GAAP, goodwill is amortized.
2 Excludes the effect of goodwill relating to the merger of the shares of Banco Real and AAB Dois Par as per international rules.
3 In accordance with Banco Central criteria, the BIS, including the goodwill, is 28.4% in Dec/10 and 24.8 for Dec/11.

RESULTS BY SEGMENT

The bank has three business segments: Commercial Banking, Wholesale Banking and Asset Management and Insurance. Commercial Banking includes products and services for retail, consumer-finance, SME and corporate clients, except those served by Global Wholesale Banking (GB&M). GB&M consists of products and services for global corporate clients and treasury and investment banking activities. The Asset Management and Insurance segment includes asset management, saving bond activities and the distribution of pensions and insurance products.

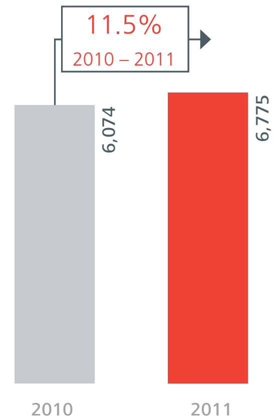
In the accumulated until December 2011, Commercial Banking accounted for 64% of profit1 before tax according to IFRS, GB&M for 28% and Asset Management and Insurance for 8%.

Commercial Banking recorded profit[1] before tax until December 2011 of R$ 6,775 million, a growth of R$ 700 million or 11.5% from the same period of 2010.

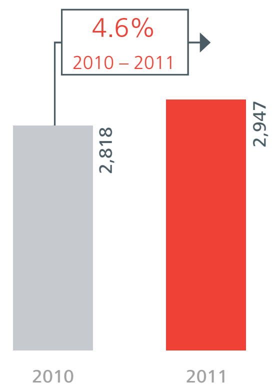
Global Wholesale banking reported profit[1] before tax of R$ 2,947 million until December 2011, a growth of R$ 129 million or 4.6% in the last 12 months.

Asset Management and Insurance posted profit[1] before tax of R$ 835 million until December 2011, increasing 0.4% or R$ 3 million over the same period the previous year. Notice that this result includes nine months of earnings from Santander Seguros, since the sale[2] of the insurance underwriting unit was completed in October 2011.

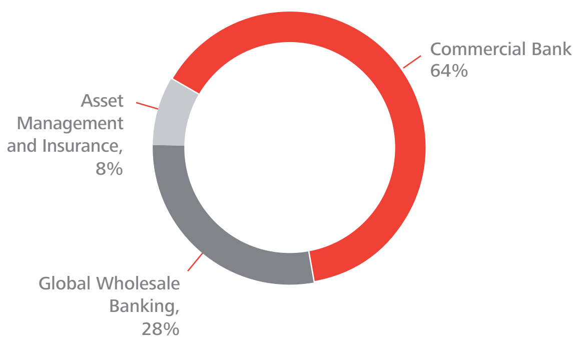
PROFIT[1] BEFORE TAX COMMERCIAL BANKING
(IN R$ MILLION)



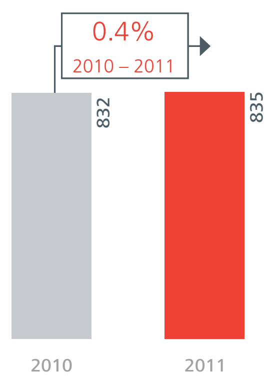
PROFIT[1] BEFORE TAX GLOBAL WHOLESALE BANKING
(IN R$ MILLION)



PROFIT BEFORE TAX BY SEGMENT
2011



PROFIT[1] BEFORE TAX ASSET MANAGEMENT AND INSURANCE *(IN R$ MILLION)*



[1] Calculation based on numbers management. Excludes Cayman Hedge.
[2] It's important to note that the Insurance underwriting unit sale did not impact the revenues from the Insurance distribution.

CARDS - ISSUER

In 2011, Santander reinforced throughout the year, its strategy of expanding its operations in the credit cards market.

We consolidated two important alliances: with Vivo and the Raízen Group. Both partnerships aim to grow our client base by launching products that offer exclusive advantages in the two companies' areas of operation, in addition to the differentials of Santander's cards.

The partnership with Vivo is in the implementation stage and the marketing of these products will begin in the second quarter of 2012. In 2012 we started offering our products in the Esso Gas Station network and we should launch the same products in Shell Gas Station network still in the first quarter.

In addition to the new partnerships, we registered a sharp increase in nonclient acquisitions in the fourth quarter through our product portfolio and continue to offer our clients differentiated products that are designed for the diverse needs of our clients.

Through these initiatives, we continue to expand our client base, while constantly seeking to improve client satisfaction.

NUMBER OF TRANSACTIONS AND FINANCIAL VOLUME

We ended the fourth quarter with 214 million credit card transactions, 0.7% more than in the third quarter and 11.2% more than in the same period a year earlier.

Financial transaction volume in 4Q11 came to R$ 37.7 billion, up 5.8% over the previous quarter and 11.3% more than in the same period a year earlier.

CREDIT CARD PORTFOLIO

Total credit card portfolio grew 13.7% in the quarter. The financed portfolio's share of this total increased from 27.7% in December 2010 to 29.9% in December 2011.

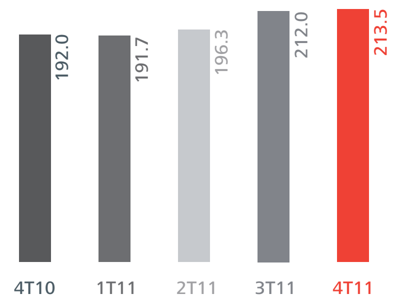
CARD BASE

The credit card base totaled 12.4 million, up 8.2% in 12 months.

Debit cards reached 29.3 million in December 2011, up 13.4% in a year.

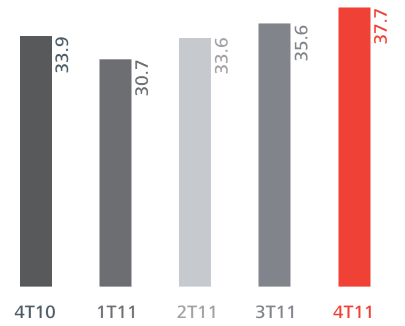
NUMBER OF CREDIT CARDS TRANSACTIONS

(IN R$ MILLION)



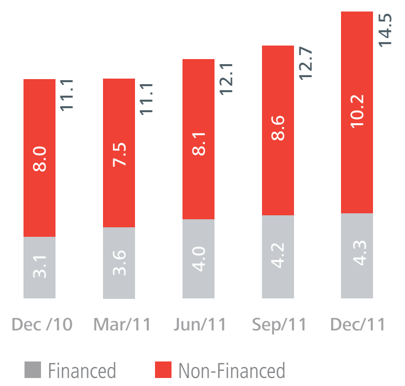
TURNOVER TOTAL

(R$ BILLION)



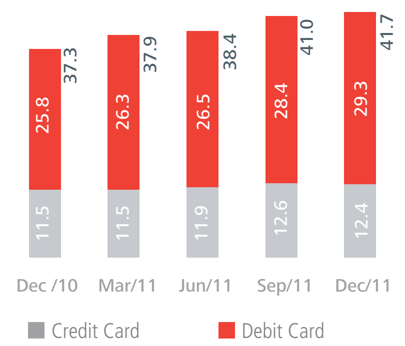
CREDIT CARD PORTFÓLIO

(R$ BILLION)



CARD BASE

(R$ BILLION)



THE SLOWDOWN IN ECONOMIC ACTIVITY IN BRAZIL CONTRIBUTED TO CONTAINING INFLATION IN 2011, BUT THESE INDICES STILL NEED TO BE WATCHED

SCENARIO OF OPERATION

Macroeconomic environment

THE SLOWDOWN IN ECONOMIC ACTIVITY IN THE SECOND HALF OF 2011 WAS MORE INTENSE IN INDUSTRIAL PRODUCTION, AND THE INTERNAL DEMAND ALSO LOST MOMENTUM, ALTHOUGH STILL FUELED BY CONSISTENT GAINS IN EMPLOYMENT RATE AND INCOME

In 2011 the Brazilian economy grew at a slower pace. GDP grew by 2.7% in the year, compared to 7.5% in the previous year. This reduction in the growth rate reflected the combination of the lagged effects of monetary tightening in April 2010 and July 2011 and the deterioration in the international scenario. The deceleration was particularly sharp in industrial production, which remained weak throughout the year. Domestic demand also recorded a downturn, but remained stronger than industrial activity, sustained by continuous gains in employment and income.

Inflation has been declining as a result of the economic slowdown, but remains a source of concern. The 12-month IPCA consumer price index declined from the peak reached in the third quarter to close the year at 6.50%, in line with the upper limit of the inflation target (4.5% +/- 2 p.p.), mainly impacted by service prices, which increased by 9.0%, fueled by rising labor costs. Wholesale prices, on the other hand, have been posting a milder increase, influenced by the decline in international commodity prices.

The worsening international scenario, combined with the relative decline in inflation, and the risks it brings to the Brazilian economy, reflected in the monetary measures taken by the Central Bank: the target Selic rate was reduced to 11% p.a. in December and a few of the macroprudential measures adopted in 2010 were partially undone in order to stimulate credit expansion. The outstanding credit provided by the financial system surpassed R$ 2 trillion by end of 2011 (49.1% of GDP), representing a 19% year-over-year growth. Growth in mortgage (44.5% year-over-year) continues to outpace other lending products. Delinquency increased to 5.5% in December from 5.3% at the end of the third quarter.

Despite the unfavorable international scenario, Brazil recorded a robust trade surplus of US$29.8 billion in 2011, almost 50% higher than the US$20.3 billion posted in 2010. In spite of the second-half slowdown, commodity prices, on average, remained higher than in the previous year and were chiefly responsible for the 27% growth in exports. Imports increased by 25%, reflecting the expansion of domestic demand. Net expenses with services and income also increased in the last months of the year when compared to the same period in 2010. As a result, the 12-month current account deficit widened, closing 2011 at US$51.9 billion (2.1% of GDP).

Foreign Direct Investment remained strong in the last months of 2011, despite the crisis, and totaled US$66.7 billion in 2011, more than offsetting the current account deficit. The turbulence in the international markets seem to have partially affected other sources of external financing – such as portfolio investment and some types of external loans –, but overall the access to international financing remains sufficient to fund Brazil's external needs. International reserves ended 2011 at US$ 352 billion, representing a comfortable buffer against the international crisis. Nevertheless, the deterioration in the external scenario has kept the real under some pressure, with the currency closing the year at R$ 1.88/US$.

High tax revenues and stricter control of expenditures enabled the public sector to accrue a primary surplus of 3.1% of the GDP in 2011, above the 3% target for the year. Considering the payment of interest on the public debt, the financing needs of the public sector amounted to 2.6% of the GDP in the same period. This fiscal effort, combined with lower interest rates and the effects of currency depreciation (given that the public sector is currently a net creditor in foreign currency), led the public sector's net debt to 36.5% of the GDP at the end of 2011 (below the 39.1% at the end of 2010), a 2.6% drop of the GDP in 12 months. The good performance of the fiscal accounts further reinforces the positive view on the Brazilian economy, which has been able to endure the turbulence from the international crisis with no substantial risks of fiscal or balance-of-payments problems, at the same time it preserved a robust, albeit milder, pace of economic growth.

ECONOMIC AND FINANCIAL INDICATORS

	4T11	3T11	4T10
Country risk (EMBI)	220	209	185
Exchange rate (R$/ US$ end of period)	1.876	1.854	1.666
IPCA (in 12 months)	6.50%	7.31%	5.91%
Banchmark Selic (Annual Rate)	11.0%	12.0%	10.75%
CDI[1]	2.67%	3.01%	2.56%
Ibovespa Index (closing)	56,754	52,324	69,305

[1] Quarterly effective rate.

Photo: Pisco del Gaiso

WE ENDED THE PERIOD WITH NEW PRODUCTS IN OUR PORTFOLIO AND A BASE OF ALMOST 25.3 MILLION CLIENTS, INCLUDING INDIVIDUALS AND CORPORATE CLIENTS

BUSINESSES PERFORMANCE

Ready for growth

HAVING CONSOLIDATED STRUCTURES AND INTEGRATED SYSTEMS, WE ARE WELL-PREPARED TO PROVIDE HIGHER-QUALITY CUSTOMER SERVICE 1.2

In 2011 we concentrated our efforts on integrating the platforms of Santander and Banco Real, always focusing on growing the businesses and providing the best service to clients. As a result, we have become stronger and have been able to put new projects, such as Santander 3.1, into practice in the second half of the year.

Volume in terms of loans, deposits, and client funding, including investment funds, totaled R$ 487,714 million for the year, up 13.0% compared to 2010. The total loan portfolio grew by 20.9% to R$ 194,184 million. For individuals, the portfolio amounted to R$ 63,413 million, up 24.4%. The loan portfolio for small- and medium-sized enterprises increased by 25.6%, to R$ 47,940 million. Meanwhile, loans to large-sized enterprises was up 17.9%, to R$ 52,373 million.

Funding (including investment funds) increased by 8.2% to R$ 293,530 million. Term deposits were up 21.8%, while investment funds totaled R$ 113,022 million, up 1.5%.

At Santander, our businesses are divided into three main segments – Commercial Bank, Wholesale Bank, and Third-Party Asset Management and Insurance. The various areas of the bank operate in an integrated manner, providing numerous benefits to clients, who have a customized customer service policy at their disposal, with a complete range of diversified products and services.

Sustainability applied to businesses

In 2011, we placed greater emphasis on including sustainability into our business models, based on the experience we have accumulated in over a decade of working on this topic. In the Wholesale and Retail segments, we have developed structured products and processes which have brought financial, social, and environmental results for the bank, clients, and society as a whole.

We have selected the main sectors of the Corporate loan portfolio with the objective of identifying opportunities with respect to renewable energy, energy efficiency, water, waste, corporate governance, sustainable construction and remodeling, and cleaner production.

Through transactions that have contributed significantly to the growth of our clients, we recorded R$ 775 million in sustainable businesses in the Wholesale segment. This has been translated into efficiency gains in activities, a reduction in costs over the medium and long-term, and implementation of initiatives which reduce impact on the environment.

In the Retail segment, we have included sustainability in our commercial model. We have created a line of credit with differentiated rates and have segmented our client base so that our managers can operate in a closer manner with the client, identifying the most suitable business opportunities for each case. We also work with performance indicators and recognition tools. As a result, we have made progress in our operational model and in 2011 we paid out a total of R$ 424 million to 3,478 corporate clients.

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Sustainable business

HOW WE HELP OUR CLIENTS TO MAKE THEIR BUSINESSES MORE SUSTAINABLE FS7 FS8

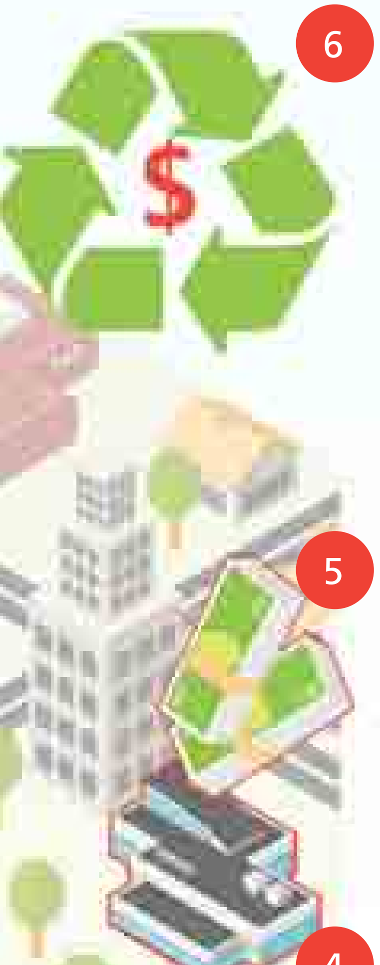
Looking at different sectors
We map out the SMEs that are clients of the bank while identifying those firms with a higher potential to generate sustainable business. It's a universe comprised by thousands of Tax ID's, in different sectors and includes pubs, restaurants, small slaughterhouses and metalworks.

Sustainability brings about new opportunities
Relationship managers are trained to identify business opportunities in their client visits. Internal campaigns promote sustainable working capital for employees and include awards for performance.

Good enough, never is
For instance, during visits the manager finds out if the firm uses large amounts of water or energy, and if it's feasible to finance improvements for the client.

Sub-manager Thiago Felix Rodrigues (wearing a tie) with the owner of the poultry farm Miguel Gomes Alves de Moraes (striped shirt) and the partners Rosendo Vicente Teixeira (white shirt) and Moisés Salvador Teixeira (blue shirt) visit the works at the new rendering facilities, financed by Santander.

Photo: Pisco del Gaiso



Win-win-win
Over time the firm will benefit from reduction in water/energy consumption or the adequate disposal of residues; the bank profits with sustainable loans that contribute to further its relationship with clients; and the society benefits from environmental actions.

Sustainable loans
The client invests in solutions for residue management, water, energy efficiency, certifications, to name a few.

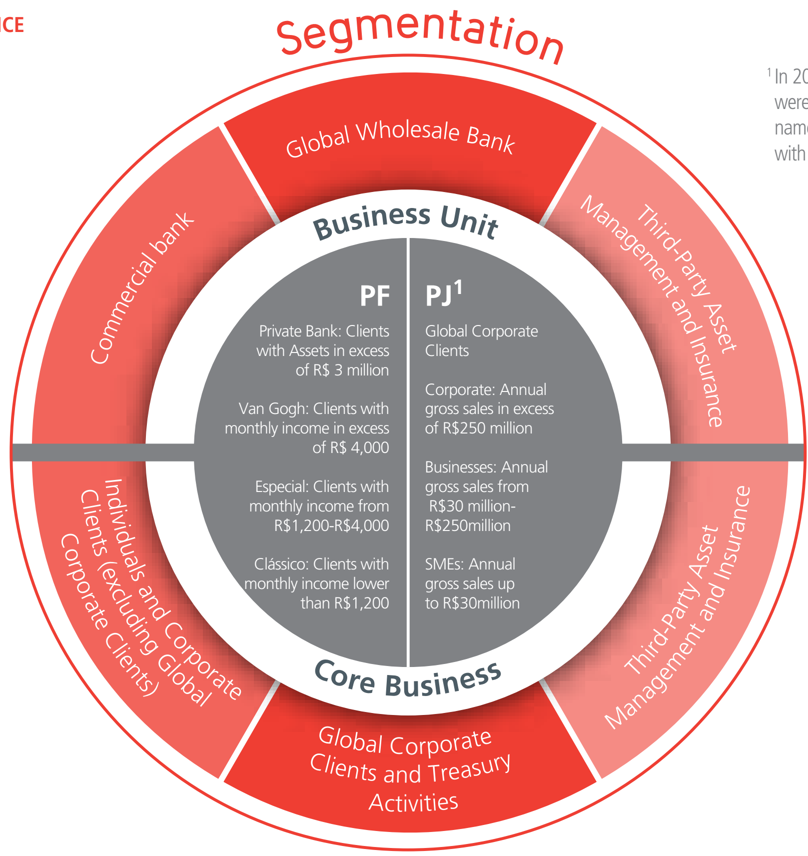
Closing a deal
The manager offers the client financing for cutting edge economical solutions that reduce the consumption and may bring financial/environmental benefits.

FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMES)

A chicken farm in upstate São Paulo, which slaughters more than 70,000 chickens a day, approached Santander for investment in the construction of a rendering plant and a plant for the production of meal and oil from animal by-products. With the first round of the investment, the owner, Miguel Gomes Alves de Moraes, purchased a plot of land adjacent to the poultry farm, built the facilities, and now hopes to acquire the necessary machinery to transform chicken remains into animal feed. He has already done his math: he is estimating revenue of at least R$ 300,000 from the new business, and also intends to solve the problem of waste generation on his chicken farm.

Similar examples can be seen in various locations in Brazil. There are thousands of SMEs that are seeking to achieve greater eco-efficiency in their operations. These include restaurants, bars, meat packers, and small metallurgical companies, as well as corporate clients in various other sectors that need to invest in processes and products that reduce the consumption of water and electricity, for example, or the generation of waste.

In May we launched the *Capital de Giro Sustentável* (Sustainable Working Capital), which provides support for the sustainable projects of our clients not only with financial resources, but also with our team's expertise. In practice, we have mapped out the areas that are most sensitive in the small- and medium-sized enterprise segment, trained our professional staff, and encouraged them to identify opportunities for improvement in their clients' businesses.



[1] In 2012, the Corporate and Business areas were joined together under the Corporate name, and now cater to corporate clients with annual sales above R$ 80 million

Retail

In 2011, we continued to invest in the expansion of our branch network and in increasing the size of our sales force. We made strenuous efforts among our employees in the retail segment to align guidelines and implement a commercial model and service model which has placed us in a stronger position to continue to grow in a sustainable manner. Currently, we have a team of 36,000 in our branches, a large staff that requires a clear and unified methodology so that everyone works in a synchronized manner.

With Project A+, we strengthened our client service methodology in order to increase client satisfaction levels.

Among the tools used is the “queue manager”. From São Paulo, for example, we are able to monitor the queuing conditions in a branch in Ribeirão Preto. In 2011, we also initiated Project V200, an activity that is part of our sales model and foresees customer visits, aiming to create closer commercial relationships.

We ended the period with a client base of almost 25.3 million, including individuals and corporate clients, 41.7 million debit and credit cards, and R$ 16,298 million in real estate financing. New products and services were launched, bringing Santander increasingly closer to meeting clients’ needs.

Photo: Pisco del Gaiso

Fernando de Assis, Executive Head of *Rede SP Sul* of Santander, serves client Belarmino Fernandez Iglesias during a visit to V200

Branch Network Growth

When opening a new branch, Santander implements a complete operating model in order to serve all sectors of the economy, from the small entrepreneur in search of micro-credit to the customers for SMEs. Last year alone, we inaugurated 154 branches.

Loans to individuals

In 2011, loan opportunities to individuals were expanded. Upon the completion of the integration process, we managed to combine the best practices of each bank into one single model. The result was an increase of 24.4% in loan volume. Highlights were the Debit and Credit Card and Real State Loans segments, where volumes ended the year up 31.5% and 49.6%, respectively (see pages 90 and 91).

As a consequence, we grew our market share from 13.1% to 13.9%, according to data published by Brazil's Central Bank. The default rate in the period followed the rising trend in the market, but did not affect credit supply conditions in the segment, particularly for credit facilities that carry lower interest rates, such as payroll loans. This is also due to the differentials which are part of the day-to-day routine at Santander: constant work on financial education and the offering of suitable products, in accordance with the profile and needs of the client. By properly extending credit and working together with consumer protection entities, we provide people with advice and enable increased access to banking services in Brazil.

A NEW EXPERIENCE FOR VILA CRUZEIRO FS13

After the successful experience at the Complexo do Alemão shantytown district, in December 2011, Santander inaugurated a branch in Vila Cruzeiro, both in Rio de Janeiro. In addition to the regular banking services provided, the unit also offers an area for digital and cultural inclusion, with free courses for the community, as well as a microcredit center, with the aim of catering to growing interest from local entrepreneurs in the regularization of their businesses. Half of the 14 employees in the branch live in Vila Cruzeiro.

Much of what has been developed in the location was based on our experience at Complexo do Alemão, which was the first low-income community to have a bank branch before the government shantytown pacification program was implemented. One of the lessons learned from this experience was the banking process in a region where postal services do not reach every household. Today the Complexo do Alemão branch has approximately 1,100 clients, 120 of these being SMEs.

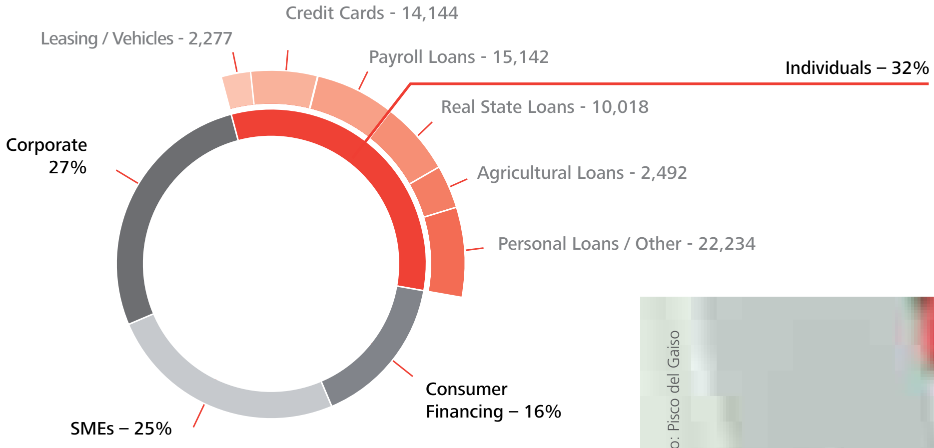
17.5%

THIS IS HOW MUCH "SANTANDER MASTER" GREW IN 2011; THIS IS THE ONLY OVERDRAFT FACILITY IN THE MARKET TO OFFER 10 DAYS FREE OF INTEREST IN ADDITION TO OFFERING THE POSSIBILITY TO SETTLE THE OUTSTANDING BALANCE IN INSTALLMENTS AT HALF THE GOING INTEREST RATE

Photo: Pisco del Gaiso

Branch in Vila Cruzeiro, Rio de Janeiro.

INDIVIDUAL LOAN PORTFOLIO
(IN R$ MILLION)



Bank Cards

Throughout 2001, Santander strengthened its strategy for expanding operations in the credit card market. We established two important alliances, one with Vivo and the other with Grupo Raízen (a joint venture between Shell and Cosan), which will enable us to expand our client base through the launching of products which offer exclusive business advantages for these two companies as a result of the differentiated aspects offered by our cards.

In addition to new partnerships, in the second half of the year we managed to capture a considerable number of new clients, while also reducing our cancellation rate from 2.17% in 2010, to 2.01% in 2011.

Revenue in the segment grew by 30%, exceeding the 23% estimated by the market, according to figures from the Brazilian Association of Credit Card Companies and Services (ABECS in Portuguese). Total expenditure by clients increased from R$ 41.5 billion in 2010, to R$ 53.8 billion in 2011, while debit card sales were up by 18%.

The success of the offer to "pay the bill in installments" also contributed to an increase in the loan portfolio, which increased by 29.9% over 12 months.

Partnerships for brand consolidation

The launch of the Shell/Santander card in 2011 strengthened the presence of the bank in the "alliance business", whereby Shell card holder is considered to be a client. This card offers a discount of up to 4% on any fuel purchase.

Along the same lines, we have also signed a contract with Vivo and the card will be launched in 2012. Through these partnerships, we wish to create good experiences with clients and strengthen our brand name.

Photo: Pisco del Gaiso

INTEGRATED AND EXTENDED ACCOUNT

In November 2011, the *Conta Integrada* (Integrated Account) extended benefits to small- and medium-sized enterprises, combining transaction-processing services with financial services. With this product, the bank processes and captures transactions credit cards from the issuers Visa and Mastercard, enabling companies to centralize sales credits into one corporate account. Since its launch in 2010, more than 200,000 establishments have been acquired, which accounts for a share of 2.5% of the sales volume in the acquirer market.

Among the new benefits are a discount on rent of equipment that processes transactions by both issuers, below-market rates on prepayment of receivables, and exemption from current account charges, based on sales volumes, as well as the possibility of extending credit of up to eight times the monthly card sales volume.

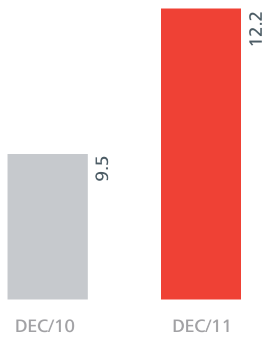
Payroll loan

The Payroll Loan segment ended 2011 at R$ 15,142 million in the portfolio, an increase of 9.7% over the previous year. Of the total volume, 80.9% referred to the bank's own portfolio and 19.1% consisted of portfolios assigned by other banks.

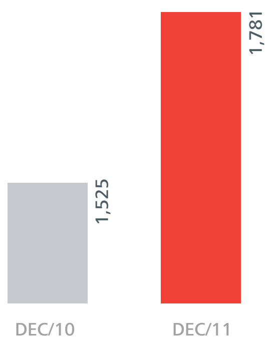
Growth in the bank's own portfolio amounted to 29% for the year, compared to market growth of 14.7%, according to data from the Central Bank. The portfolio increased from R$ 9.5 billion, to R$ 12.2 billion.

Upon the completion of the integration process, we are now working with a single technological platform, strengthening our presence in the market, with a total of 6,000 payroll loan agreements.

GROWTH IN THE BANK'S OWN PORTFOLIO
(IN R$ BILLIONS)



GROWTH IN OWN CONTRACTS
(IN THOUSANDS)



Real State Loans

This segment continued its growth trend in 2011, despite the change in market profile. In the last few years, after a period of strong expansion, sector players have seen their margins reduced. Problems with the management of new partnerships and issues concerning raw material and labor have reduced profits. However, demand for property continued strong as income levels among the population improved, along with a lower level of unemployment, access to credit, and the large housing deficit.

In December 2011, Santander's Real State Loans portfolio amounted to R$ 16,298 million, up 34.8% over the previous year. Individual loan portfolio was up by 49.6%, accounting for 61.5% of the total. Corporate transactions saw an increase of 16.5%. In the same period, we provided financing of R$ 4.7 billion to individuals, who purchased 25,254 properties (99.5% residential), and for legal entities, contracts worth R$ 7.7 billion were signed for the construction of 48,749 properties, mostly residential.

With respect to market share, Santander accounted for 10.9% of property purchases by individuals and 23.6% of real estate developments by corporate clients, according to the Brazilian Association of Real State Loans and Savings Institutions (ABECIP in Portuguese).

Nationwide, Real State Loans account for only 5% of the Brazilian GDP, and prospects are for continued strong demand for property. This segment accounts for 8.4% of the bank's total loan portfolio. Throughout the year, a series of measures and products were adopted in order to capture more of the market's growth potential. On the commercial front, the sales force was strengthened with training provided for managers. The team was expanded and the sales force began to provide support for the branch network, assisting managers with documentation. In this way, we increased the interaction between the teams and reinforced our strategy of creating closer links with our clients.

Among the products launched in 2011, of particular note was *Santander Parcela Protegida* (Santander Secured Installment). Based on market survey, it was found that the greatest fear of those applying for long-term financing is an eventual loss of income. With this product, however, the client can remain without any income for three, six, or eight months, because the insurance covers installment payments during this period.

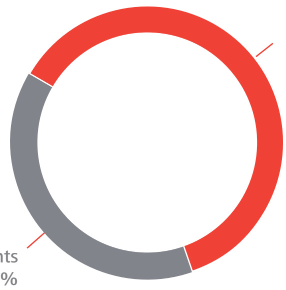
Another innovation is the package of unique services and benefits provided to clients in the Van Gogh segment, which makes available a complete range of benefits in a number of products, such as exemption of bank charges, advantages in investment, and credit cards, as well as discounts on insurance. We also launched *Construção Fácil* (Easy Construction), which is a line of credit with special conditions for those who wish to carry out construction or remodeling projects, and "Step-By-Step Guide", an interactive electronic tool which provides a simulation of a real state loan.

In 2011, managers were empowered to approve proposals, subject to credit acceptance criteria, which provided greater agility in credit checks. As a result, 80% of the proposals were approved immediately (60% of these automatically and 20% by decision of the manager). Previously, this process would have taken 10 to 12 days.

On the operational side, *Pró Mais*, a program to streamline and facilitate operational issues, was introduced. As a result, it became easier to capture growth in the sector, strengthening the sales team with brokers and real estate firms, and making progress in terms of market share. One of the advances made on the operational side was document imaging. All the branches and banking service centers (PABs) were provided with the proper equipment, which has saved costs as well as time spent on mail and courier. Having a service provider monitor workflow was another important step. With all this, both the managers as well as the clients can monitor the process in a transparent manner.

* The *Serviços Imobiliários Santander Van Gogh* campaign

BREAKDOWN OF REAL ESTATE LOANS PORTFOLIO (INDIVIDUALS AND CORPORATE CLIENTS)



WEBCASAS: A 120% GROWTH

Acquired by Santander two years ago, Webcasas is a virtual tool for real estate businesses, with no cost for Internet users, who, in this case, are developers, construction firms, real estate brokers and firms, and buyers and sellers of property. At the time it was acquired by the bank, Webcasas had 160,000 visits a month. By the end of 2011, this figure exceeded 1 million. In 10 months, the number of real estate partners grew by 120%, and the number of real estate ads increased by 58%.

Consumer Financing

Santander Financiamentos (Santander Financing) has been restructuring its policies, processes, and systems since 2009. The results already began to appear in 2010, and in 2011 the Financing Division (*Financeira*) achieved a new positioning in the market. With the opening of 16 new branch offices, the hiring of 430 new operators, and investment of R$ 35 million in information technology, the Financing Division saw its portfolio grow from 0.7% in the second quarter to 6.1% in the last quarter of 2011. Aggregate for the year, this division's portfolio increased by 12.9%, with vehicle financing for individuals being the top performer with 14% growth, followed by Direct Consumer Credit (CDC) for other goods, with 16% growth in the period.

As yet more evidence of this growth, in 2011 we ended the year with 22,000 intermediary clients (car dealers and dealerships, among others) in our client base, including vehicles and *CDC Outros Bens* (Other Goods)[1], while we expanded the market share of our vehicle loan portfolio from 12.8% to 14.2%, with CDC Outros Bens from 17.4% to 20.4%.

Another important achievement during the year was the implementation of a new credit policy and the changes in processes and systems for the approval and granting of financing, which provided more agility for brokers and end clients.

The combination of regional strategies and pricing policy and the expansion of the sales force at previously planned locations also contributed to increasing the profitability of Santander Financiamentos businesses. In the used vehicle market, we achieved a leadership position in sales in the second half of 2011[2]. Profitability was also boosted from April, when the bank started to offer *Seguro CDC Protegido* (CDC Secured Insurance) to clients in the vehicle financing segment, offering more security for the end client.

Route adjustments were also important in achieving results, since, with the increase in defaults in 2011, we adopted more conservative policies and safety measures in credit management.

We always seek to be up-to-date with opportunities and the unique products and services that we can offer in the market, and as a particular example of this, we have WebMotors, which is part of *Santander Financiamentos* and is the largest website to post ads for the purchase and sale of vehicles in Brazil, with 32% ratings in this segment in December 2011, according to survey by IBOPE. This website had 13 million single users at the end of the year, and company sales amounted to R$ 59 million, 18% higher than in 2010. The main challenge for 2012 is to transform the website into a business portal to include the sale of insurance and financing. The first experiments with online insurance sales were carried out in 2011, with strong demand being seen for simulation tools.

All this potential is increasingly recognized by our broker clients, who, in 2011, participated actively in the 14 WebMotors "*Giga Feirões*" (car fairs) throughout Brazil, which focused on the sale of used vehicles. With a regional approach, these events proved to be great business opportunities for our clients, and helped Santander's Financing Division to achieve a leadership position in the used vehicle market.

[1] Source: UNICAD BACEN.
[2] Source: CETIP and FENABRAVE.

As part of the policy of building a closer relationship with the end client, we launched a relationship portal, through which it is possible to carry out a number of transactions that until then could only be done by telephone, providing faster customer service. Currently we receive an average of 500,000 visits a month. As a result of the centralization and standardization of service to the end client, the number of complaints was reduced by 50% at *Santander Financiamentos*. For 2012, we wish to further enhance the service by improving our call centers.

Another focus of *Santander Financiamentos* in 2011 included the transactions within the scope of the Santander 3.1 project. These included the opening of new current accounts for broker clients and the incentives provided for guaranteed current accounts. In addition to this, the partnership with the Retail area allows us to identify business opportunities among major corporate clients in the corporate and business areas, which serve small- and medium-sized enterprises.

Underlining our concern related to the topic of sustainability, which is one of the topic priorities at Santander, we opened up lines of credit for the purchase of products in this category, such as solar energy for households, equipment for the conversion of electric power to gas, and adaptation of vehicles for the disabled, to name a few.

Last but not least, and aligned with the strategy of focusing on profitable businesses, *Santander Financiamentos* has important partnerships with banks such as Peugeot/Citroen's PSA Finance Brasil, and Renault/Nissan's RCI Brasil, with portfolios focused on the sale of vehicles. These partnerships have provided the Financing Division with access to guaranteed production with a low default rate, in addition to significant gains in scale.

Business

Focused on SMEs, the Business area operates in a potential market of approximately 6,000,000 enterprises. It is estimated that there are a further 10 million enterprises in the shadow economy, but many of these have begun the process of regularization as a result of government incentives and the support offered by the banking and finance system.

In 2011, the segment ended the year with loan portfolio growth of 25.6% and an increase in the number of clients from 504,000 to 543,000.

This performance is the result of investment in the Business sales team, which was reinforced by 917 new professionals, totaling 5,100 employees. The introduction of weekly forums in all the regions that make up the bank's branch network has also boosted this performance, because it has streamlined the analysis and offering of products and services.

In addition, the launching of the new advantages of *Conta Integrada* (Integrated Account), a unique product offered by Santander to the market, helped to drive growth in the segment. Currently, we offer discounts on service bundles on the rental of POS terminals that process transactions of both Visa and Mastercard, and reduced rates for the prepayment of receivables through the POS.

In 2012, the Business segment was extended to include clients with sales of up to R$ 80 million. This target audience is welcomed in an exclusive area, with its own structure. In 2011, the 39 centers were redesigned to create an identity aligned with the clients in the segment. In 2012, the number of centers is expected to grow to 64.

Photo: Pisco del Gaiso

Governments & Institutions

This area serves two client segments: governments (federal, state, and municipal), their autonomous entities, state-owned companies and related concessionaires, including social welfare entities, and institutions from the private sector, with an emphasis on the health chain (for-profit and non-profit charity hospitals, health insurance operators, the Unimed system, diagnostic centers, and laboratories).

In recent years, we have seen a positive scenario in the health sector, with a growing trend of consolidation and investment in new hospitals and services. We also serve major associations and non-profit trade associations, with minimum annual revenue of R$ 30 million.

Due to the need for understanding the specific regulatory framework and its peculiarities, both for governments as well as health and non-profit entities, our structure has been a key factor in the identification of new opportunities, capturing new clients, and achieving their loyalty.

TRANSACTIONS IN THE YEAR

In December, Santander, with other major banks, coordinated one of the largest structured transactions in the Brazilian capital market: the issuance of a Fund for Investment in Credit Rights (FIDC in Portuguese) of R$ 1.14 billion for State Water and Sewerage Works of Rio de Janeiro (CEDAE), the third largest water and sewage works in the country. The fund was the largest offering of FIDC shares in the public sector in 2011. The transaction was welcomed by the sector, and is likely to encourage other state and municipal companies to carry out similar transactions.

Also in December, again with Santander among its coordinators, Rede D'Or São Luiz issued R$ 650 million in debentures, the proceeds of which were used to invest in the expansion and consolidation of hospital acquisitions, strengthening the leadership position of Rede D'Or, the largest independent group of private hospitals in the country.

Payroll

In 2011 the Governments & Institutions Division became responsible for managing the commercial segment of payrolls at Santander. Another new development in the period was the structuring of a team specialized in payroll, focused on the business segment. The purpose is to leverage our services in the Retail market.

One of the main tools for expanding the client base is payroll. Approximately 40% of the individual clients of Santander receive their salaries through the bank, and 40% of the 500 economic groups covered by Global Banking & Markets (GB&M) have their payrolls with the Bank.

Among the payroll contracts awarded, of particular note were Nokia Siemens and Sodexo, among others.

We also renewed partnerships with major entities such as Whirlpool, Votorantim, Nestlé, and the Municipal Government of São José dos Campos.

With the enactment of the new portability law for civil servants, which provides they can now receive their salaries at any bank where they have an account, we are expecting an increase in the number of clients. To this end, we have created Salário Livre Santander (Santander Free Salary), which offers the Free account without any monthly fees charged on the service package available through the current account, from the date the account is opened. The offer includes the Santander Free card, free of annual fees and charges (provided that the client uses the card once a month for credit purchases) without a minimum purchase limit. This scenario also paves the way for capturing major new clients, such as the federal and state governments.

Agribusiness

Our loan portfolio focused on the agribusiness segment ended 2011 accounting for 3.9%[1] of total loans to individuals. We have maintained a focus on offering products for all production stages of the 45,000 clients in the segment, from funding to sales, and investment in farming and cattle-raising production; such as extending all the lines of credit from the National Bank for Economic and Social Development (BNDES in Portuguese) available for the sector. In addition, we are the only private-sector bank which offers Rural Product Certificates (CPR in Portuguese), which consists of advancing revenues in connection with the sale of future production.

Our approach to the extension of agricultural loans is carried out in a customized manner, as advised by local agronomists who understand the reality of the clients' need for cash flow, the size of the planted area, the crop which is being cultivated, and the most appropriate government support programs. This consulting service is distributed across all the regions with heavy concentrations of agribusiness, and is a way of creating a closer relationship with our clients.

Guide for Good Agribusiness Practices

[1]Total excluding portfolio acquisitions.

GOOD PRACTICES FOR AGRICULTURAL PRODUCERS

FS5

The concern for sustainability in the field and the daily work of the branches with rural producers led us to create, in 2011, the Guide for Good Agribusiness Practices. In pamphlet form, this publication provides guidance for producers on how to conduct business and deliver results in accordance with social and environmental responsibility criteria.

Among the topics covered are energy, water, waste, erosion, certification, and agricultural insurance. Each chapter presents sustainable alternatives for production and their benefits, in addition to the most appropriate types of financing.

Actions such as this will help us keep this target audience loyal, but it is through these day-to-day contacts that we manage to strengthen long-term relationships with agricultural producers. Today, a large number of our clients in this segment are families that have been with us for more than a generation.

This is the case of coffee producer Antonio José de Castro, from Pedregulho in upstate São Paulo, who has been a client of the bank since 1974. He uses basically agricultural loans to fund his coffee crop, but also uses other lines of credit to produce more than 30,000 sacks a year (the equivalent of 1.8 million kilograms). The production is sold to Brazilian cooperatives and to Japan and today Mr. Castro's family members also help with the work in the field.

Boarding of Brazilian students participating in the Top UK 2011 international mobility program

Universities

Since 1996, Santander Universidades has been providing support for higher education institutions, both public and private, through partnerships in academic projects, the offering of scholarships, and bank products and services. Present at 420 universities throughout Brazil, and with more than 1,000 agreements signed worldwide across 17 countries, this global division of the Santander Group today also has the support of Santander's service network, consisting of 350 banking service centers (PABs) at Brazilian universities, as well as 575 branches located close to higher education institutions throughout the country.

In 2011, we consolidated a series of initiatives and implemented a number of new projects. We also reviewed the services that we offer to the professors and employees of state and federal universities and began to offer loans at differentiated rates, with reduced charges and investments with attractive returns.

During the year, our platform for International Mobility Programs was enhanced, and we managed to help hundreds of students and professors expand their academic qualifications abroad. In all, 10 programs enabled university students to study in countries such as Spain, the United States, the United Kingdom, and China, to name a few. And in addition to these, we brought Chinese and British students to study here in Brazil, through programs such as Top China, Top China - Brazil, Top Spain, Top Spain - Brazil, Top USA - Massachusetts, Top Engineering, (Portuguese-Brazilian), Ibero-Americanas Graduação, Ibero-Americanas Jovens Professores e Pesquisadores, and Fórmula Santander.

The Amazônia Program 2020, signed in November 2010, was consolidated with four major events in 2011. The first of these was with the Seminar on Criminal Law at Federal University of Amazonas (UFAM in Portuguese), followed by the granting of 38 scholarships under the Top Spain Program 2011, which included students and teachers from the north of Brazil who went to Salamanca, in Spain, to improve their knowledge of the Spanish culture and language. As a consequence of this initiative, in October 2011 the Santander Group was the first bank to appear in the Best Global Green Brands ranking, according to an international assessment by Deloitte and Interbrand, ranking 40th.

We also offered Ibero-American scholarships to 45 students from nine federal universities in the north of Brazil, 6,400 language course scholarships to members of the academic community who participate in the Amazônia Program 2020, nine Research Fellowships (*Bolsas de Pesquisa Livre*), and 27 scholarships for universities that are part of the National Association for Directors of Federal Higher Education Institutions (ANDIFES in Portuguese). In 2011, we also signed a partnership with EDUCAFRO, an entity that promotes the inclusion of the Afro-Brazilian population with low purchasing power in public and private higher education, through which we offer 300 language course scholarships for students and teachers alike.

Throughout the year, we signed agreements with a number of institutions, such as the agreement with the National Service for Commercial Apprenticeships (SENAC in Portuguese) in São Paulo and Rio de Janeiro, the installation of an Ibero-American Center at the University of São Paulo (USP), and the introduction of Cartão Universidades (University Card) for all the students and professors at Rio de Janeiro State University (UERJ in Portuguese). This card provides expedited and secure management, integrating academic and financial functions through a microchip system, which allows the storage, exchange, and processing of information on a single card.

WORKING FOR THE COMMUNITIES IN RIO

The 200,000 people that form part of the shantytown communities of Vigário Geral, Complexo do Alemão, Vila Cruzeiro, Parada de Lucas, Cantagalo/Pavão/Pavãozinho and Nova Era, all in Rio de Janeiro, are the focus of the *Programa Comunidades Rio 2016* (Rio Communities 2016), launched in 2011 in a partnership with the NGO AfroReggae. The program is based on three key elements: **Entrepreneurship**, which offers online courses from Babson College in the United States, **Training**, under which 16,000 scholarships will be provided for national and international exchange programs, as well as English and Spanish courses, and **Labor**, which has the aim of preparing young people to work with information technology, hospitality, customer service, administration, and nursing, among other sectors.

In 2011, we granted nine three-week scholarships for the University of Salamanca, in Spain, and 10,000 scholarships for e-learning courses for English, Spanish, and Mandarin. We also inaugurated at Vila Cruzeiro the first "Digital Space" outside a university campus. The location is in an annex to the branch opened in December 2011, focusing on training, entrepreneurship, and on the promotion of cultural activities in the community. It offers a complete infrastructure to encourage digital inclusion in addition to a training room where seminars and training courses are provided for the local population.

SCHOLARSHIPS GRANTED IN 2011

1,096 INTERNATIONAL SCHOLARSHIPS

2,036 NATIONAL SCHOLARSHIPS

10,389 FOR LANGUAGE COURSES AND E-LEARNING

TOTAL: 13,521 SCHOLARSHIPS GRANTED

Microcredit

Santander operates in various ways to contribute to the flow of financial resources in Brazil and generate employment among the low-income population. The main initiative in this regard is our microcredit program, which benefits small entrepreneurs who do not have access to conventional credit facilities and who need funding and guidance to leverage their businesses.

Through Santander Microcredit, we promote banking inclusion through entrepreneurship and help strengthen the stability of the business via a financial education program, through which clients learn to manage their developments. We also seek to transform the situation of the communities based on guidance which goes beyond finance, encouraging clients to think of other ways to improve the quality of life in the community where they operate. FS7 FS13

We believe that this is a way of promoting social mobility in Brazil, and reducing the gap between rich and poor, helping millions of Brazilians to climb the social ladder.

In 10 years of operation, Santander Microcredit has already benefited more than 229,000 entrepreneurs and granted more than R$ 1.2 billion in financing. In terms of business volume, we are leaders in the segment among the private-sector banks, while ranking second in the Brazilian banking system as a whole.

Conceived as a production-guided product – in other words, not having the purpose of driving consumption, but rather entrepreneurship – in 2011 Santander Microcredit achieved the best performance since its creation in 2002, serving 177,000 clients and granting a total of R$ 379 million. FS7 FS13

Santander is one of the banks that have accumulated the most experience with this business model in Brazil. One of the most important elements of the program is the credit agent, a trained professional who is able to provide personalized service to clients, identifying the profile and the needs of entrepreneurs, and thus evaluate payment capacity in order to extend credit as appropriate. Many times, these professionals are members of the community itself, with an in-depth knowledge of the local reality.

Over the years, we have expanded the role of credit agents so that they can also offer, in addition to credit and financial guidance, information on basic issues concerning health, the environment, and citizenship, encouraging sustainability in the immediate vicinity of the development. Since 2010 we have been distributing a pamphlet to clients that covers financial education, citizenship, and the environment, and we have created a new line of credit called *Investimento Fixo* (Fixed Investment), which aims to meet the incidental needs of the client's business, such as the purchase of more energy-efficient equipment.

We also promote special events, such as seminars on breast cancer and theatre plays and the web series *Colcha de Sonhos* (Quilt of Dreams), which presents topics such as financial education, income generation, eco-efficiency, and citizenship to microcredit clients and their families. In 2011, we also introduced an "intelligent" form, which made our credit extension process more efficient. We provided each credit agent with a laptop computer with access to the bank's systems, facilitating access to the flow of information necessary to serve the client.

Currently, Santander Microcredit has a total of 211 credit agents that are linked to 24 branch offices serving more than 600 municipalities in 10 Brazilian states – 80% of which are located in the northeast.

Photo: Pisco del Gaiso

MS. CHEILA STREET FAIR

Over a period of more than 15 years, Cheila Teixeira earned her living with a fish stall that she set up at street fairs in the south side of the city of São Paulo. During this time she never ceased to dream of having her own grocery store near her home in the community of Heliópolis, the largest shantytown in the capital city São Paulo and the second largest in Brazil. In 2006, when she learned about Santander Microcredit from her neighbors, Cheila decided to take out a loan of R$ 300 to invest in her small business. First, she bought a tarpaulin. Subsequently, with further financing, she changed the counter and the shop window. Then, as a result of additional loans, came the first banana stall, a second fish stall, and finally a small grocery store, which had sales of only R$ 250 a month and had only produced losses for the former owner.

With the help of the credit agent, Cheila settled the outstanding bills, organized the inventory, and started to control the cash flow. "Santander gave me more than credit; they provided me with financial guidance as well," she said. Today, the small business entrepreneur has sales of R$ 2,000 in a single day, and also manages to save money to dream bigger. With a further loan of R$ 40,000 in 2010, Cheila bought a 500-square-meter house in front of the grocery store. This is the place where she lives today with her family, and is the future address of a larger grocery store, with a storage facility, wider corridors, and especially, more products on the shelves. And she is already making plans for a new business, still little-explored in the community: a pharmacy, which her daughter will run.

Private Banking

The private banking market is on the rise in Brazil. In September 2011, the country had R$ 430 billion in assets under management, an increase of 15.7% compared to December 2010, according to figures from the Brazilian Association of Financial and Capital Market Entities (ANBIMA in Portuguese)[1].

In 2011, this area of the bank continued its process of market repositioning initiated in the previous year, when its clients were divided into three groups: from R$ 3 million to R$ 10 million, from R$ 10 million to R$ 50 million, and over R$ 50 million in funds invested with the bank.

The Private Banking team has been strengthened, growing by 21% in 2011. One of the new developments was the creation of the Affluent Division, which covers clients with potential to reach the Private Banking level. The New Business area was also created, which is responsible for identifying business synergies with other areas of the bank. Partnerships in the areas of Mergers and Acquisitions and Equities were also set up.

In 2011, asset management services were expanded, so, in addition to providing investment advice, the Private Division also provides assistance with asset management.

The creation of new areas and the diversification of products and services aim at encouraging the client to perceive Santander as a bank with unique solutions, especially in a scenario of reducing interest rates and the quest by clients for investment opportunities.

The Private Banking area also started to transform economic analyses into tangible and diversified assets for its clients. When the scenario indicated that there would be an increase in gold prices, Santander launched a gold fund, which has shown to be extremely profitable. Exchange rate fluctuations, for example, led to the creation of a currency strategy fund. A fixed-income fund was also developed with a credit risk slightly higher than traditional funds, consisting only of securities from private companies.

Throughout 2011, we also inaugurated *Espaços Private* (areas for providing an exclusive service to clients), where the clients, in addition to discussing their investments, can also carry out their banking transactions in a faster, more comfortable, and secure manner. This is a global experience that has already reached São Paulo, Rio de Janeiro, Curitiba and Belo Horizonte, and which will be extended to other Brazilian cities such as Campinas and Porto Alegre, in 2012.

[1] On the date of closing this report, ANBIMA had not disclosed information for the year.

Photo: Pisco del Gaiso

Third-Party Asset Management and Insurance

Asset Management

Santander Asset Management, the global entity responsible for third-party asset management, is present in 10 countries: Spain, Brazil, Germany, Argentina, Chile, Mexico, Puerto Rico, Portugal, the United Kingdom, and Poland, with total assets under management of 141 billion euros.

In Brazil, Asset Management grew by 5.6% in 2011, maintaining its position as the fifth largest asset manager, according to ranking from ANBIMA[1], with R$ 128.4 billion[2] in assets.

The number of quota holders in the 673 investment funds managed by Asset Management increased from 725,000 to 911,000 in 2011. The good performance of the businesses enabled Santander Asset Management to maintain the AMP-1 rating, the highest rating assigned by the credit rating agency Standard & Poor's. For the second consecutive year, S&P recognized Santander Asset Management for its principles of good governance and risk control in addition to the competitive mix of products that it offers to its clients. Moody's agency also reaffirmed its maximum rating for Santander Asset Management in Brazil.

As part of a strategy of offering exclusive products to its clients, Asset Management maintained its pioneering position with its protected capital funds. Santander Asset Management is the largest manager of these funds, with a 53% market share, according to ranking from ANBIMA. The innovation of the year was the launching of the first Protected Capital Gold Fund (*Fundo de Capital Protegido Ouro*) in the retail segment, which attracted more than R$ 300 million.

Santander Asset Management in Brazil has a strategic focus of also diversifying its revenue, seeking to extend its expertise to managing assets for foreign clients. To this end, this division carried out a "road show" in five countries in Asia, including China, Japan, and South Korea.

[1] Data from December 2011.
[2] In accordance with accounting criteria, the total of assets under management is BRL 113.0 billion.

10 YEARS OF THE ETHICAL FUND FS7 FS8

In November 2011, the Ethical Fund, the first fund in Latin America to follow the criteria of Socially Responsible Investment (SRI), celebrated 10 years of existence, with almost 25% of excess return since its creation compared to the IBOVESPA index. The Ethical Fund, whose portfolio consists only of shares from companies which, in addition to having good financial return prospects, also demonstrate good practices on social, environmental, and corporate governance issues, has become a benchmark in the sector.

Currently the fund's portfolio consists of 50 securities. It has accumulated equity of almost R$ 255 million, and has 11,000 quota holders, mostly individuals. In addition to meeting the requirements set out in a questionnaire, the participating companies also receive visits from Santander's professional staff, and must be listed on one of the corporate governance levels of BM&FBOVESPA. The Ethical Fund also has an advisory council comprising independent specialists who cover topics concerning responsible investment.

ROLE AT THE PRI 1.2 4.12

The Executive Officer responsible for Santander Asset Management in Brazil is Luciane Ribeiro, who has worked for 28 years in financial markets, and in 2011 was appointed a member of the Principles for Responsible Investment (PRI) Council, an initiative supported by the United Nations to disseminate principles of responsible investment to investors worldwide. Together, the signatories of PRI, which, for the most part comprises pension funds, represent the management of US$ 30 trillion across the planet. Here are some of Luciane's thoughts:

WHAT IS THE ROLE OF PRI?

Its purpose is to create mechanisms which facilitate the dissemination of socially responsible principles among investors worldwide, in other words, how to get the investor to look at the criteria and directives of PRI and get involved with these principles, and bring them to companies and shareholders. The initiative has been in process for almost 6 years, and currently has almost 1,000 signatories around the world; obviously, the larger the number of signatories, the greater the capacity for disseminating socially responsible criteria.

HOW DID YOU COME TO BE APPOINTED A MEMBER OF THE PRI COUNCIL?

This was the first time that the PRI appointed a representative of Asset Managers to be a member of the Council, which indicated a change in stance in bringing to the entity contributions from investors and from those who manage investors' funds. The Council consists of 16 members, and four new members were appointed in the last election in June 2011. Among these four new members, only two are asset managers. There were 31 candidates from various countries, and I was the candidate with the third highest vote total.

AND WHAT WILL YOUR WORK CONSIST OF?

There are four workgroups of the PRI in Brazil. The Council meets three times a year to decide on the actions that will be taken in each country, to discuss the various concepts and initiatives that will be worked on across the globe, and to share good practices. In 2012, as Brazil is to host Rio+20, we will be holding the second meeting of the Council at this event. In Rio de Janeiro, we wish to intensify our work on responsible investment in Brazil, using new methodologies and products, as well as seeking alternatives to reverse the current climate change situation.

IN WHAT WAYS CAN BANKS ENCOURAGE RESPONSIBLE INVESTMENT AND WHAT CAN SANTANDER ASSET MANAGEMENT DO IN THIS REGARD?

The greatest challenge in Brazil is to reach the same status as Europe and the United States in terms of responsible investment in asset management, its line of products for investors, and in its sales strategy. With important distribution channels, it is the bank's responsibility to raise awareness and provide guidance and direction to clients with respect to the importance of responsible choice when investing, showing the return for both the investors and society when informed decisions are made. 4.11

"IT IS THE BANK'S RESPONSIBILITY TO RAISE AWARENESS AND PROVIDE GUIDANCE AND DIRECTION TO CLIENTS WITH RESPECT TO THE IMPORTANCE OF RESPONSIBLE CHOICE WHEN INVESTING"

Insurance, Pension Funds and Capitalization

In February 2011, the Santander Group signed a joint venture with Zurich Seguros, an insurance company that operates in 170 countries and which will take over the issuance operations that until then had been carried out by *Santander Seguradora*. The joint venture became effective in January 2012, and as a result we began to operate from a new position in the area of Insurance and Pension Funds. We ceased issuing life and home insurance and pension plans, in order to concentrate on the sale and distribution of products. In this way, we wish to place emphasis on what we do best, which is to do business, and seek out the best solutions, for our clients.

With distinct operations, Santander and Zurich now complement each other in the market. The new joint venture is 49% owned by the Santander Group and 51% by Zurich. In addition to in Brazil, this model will also be applied in Mexico, Argentina, Chile, and Uruguay. Under the agreement, the bank will be the distributor for the business, presenting the products offered by the joint venture to the clients. The customer service channels have been expanded over the past few years, and already include Internet banking, ATMs, and call centers, in addition to personal contact at the branches. The new model has not changed the partnerships that other insurance companies have with Santander, which continue to distribute other forms of insurance, such as vehicle insurance.

In 2011, insurance products were those that stood out the most, especially with the launching of segmented life insurance products such as *Vida Homem* (Life Insurance for Men), *Vida Mulher* (Life Insurance for Women) and *Vida Van Gogh* (Van Gogh Life Insurance); the new home insurance products – with expansion to coverage and assistance limits – and *Proteção Sob Medida* (Customized Protection), focused on the lower-income target audience.

Successful partnerships have made new products possible, such as *Seguro Santander Parcela Protegida* (Security Premium Payment), that cover loss of income in the event of unemployment for clients with home insurance, and *Seguro de Acidentes Pessoais Proteção Premiada* (Awarded Protection Personal Injury Insurance) a personal accident insurance plan offered to *Santander Financiamentos* clients.

Operations with capitalization bonds* at Santander ended 2011 with total revenue of R$ 1 billion, up 13.5% compared to 2010. Of particular note was the launching of the *Cap Reserva Protegida* (Cap Secured Reserve) product in the corporate segment, which generated additional sales of R$ 75 million. In 2011, Santander Cap paid out more than R$ 30 million in cash prizes to clients.

Wholesale

The Brazilian economy has been showing a strong capacity to absorb the impact of global financial instability. Faced with this scenario, Santander has made the most of its strength in the local market and its international platform to reinforce its position among the Wholesale banks.

The area of Global Banking & Markets (GB&M) grew by 6% in the year in pre-tax earnings. The number of transactions was lower over the last year, but this was offset by the higher volume of transactions carried out with large enterprises. The synergy between the various Wholesale areas contributed to the carrying out of complex and well-structured deals, such as issuances for Petrobras in dollar, euro, and pound sterling markets.

Santander also excelled by leading fixed and variable income issuance transactions for Brazilian companies, and also in the area of mergers and acquisitions. The bank participated in the coordination of 16 bank and corporate bond issuances in the international market, with a 13% market share for this type of transaction, the largest share among its competitors.

In a market where predictability is somewhat difficult, against a background of economic growth in Brazil and the international downturn, we expanded and refined the offering of products and services to businesses.

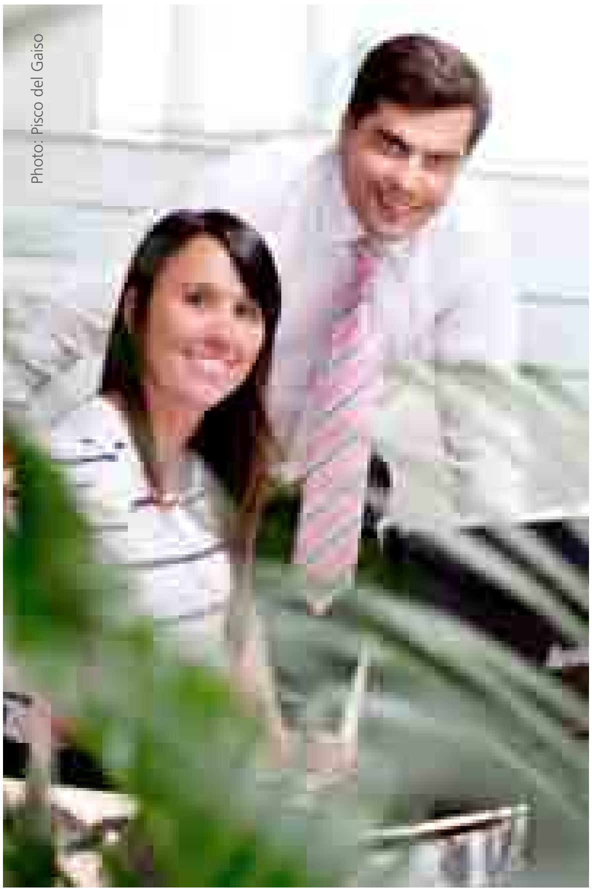


Photo: Pisco del Gaiso

Corporate

The rapid growth of many Brazilian companies led Santander to initiate a process of integrating the Corporate and Business areas in 2011. Before the integration process, the Business area served corporate clients with annual sales between R$ 30 million and R$ 250 million, while the corporate portfolio included corporate clients with annual sales above R$ 250 million. Now, the two areas have been combined under the "Corporate" name, and the new entity serves corporate clients with annual sales above R$ 80 million.

This unification also gave rise to a new relationship strategy with clients, based on a service model that includes a relationship manager, a product specialist, a credit analyst, and support for all these areas. The idea is that relationship managers have a portfolio with a suitable number of clients, and that they create a plan for each one, offering products, services, and solutions to all the clients in the Corporate segment, which previously were only offered to large-sized enterprises. Some examples of these include advice on mergers and acquisitions, equity and debt issuance, and advice on foreign trade, as well as basic needs such as current accounts, payrolls, and collection.

The relationship with clients in the Corporate segment has been reinforced, and this was reflected in the customer satisfaction survey carried out in August, which showed that 42% of clients were completely satisfied.

In 2011, the area included 11,000 economic groups and reported growth of 20%. The loan portfolio showed an increase of 21%.

IN 2011, SANTANDER HELPED PETROBRAS RAISE US$ 6 BILLION ABROAD AND CARRY OUT THE LARGEST ISSUANCE EVER BY A LATIN AMERICAN COMPANY IN THE EURO MARKET

Global Banking & Markets (GB&M)

The year 2011 was a period in which GB&M, an area that serves businesses with a global presence and annual revenues above R$ 250 million, overcame major challenges. The international downturn brought volatility to the markets, and businesses were reluctant to increase their investments; even so, the segment managed to deliver good results, showing growth of 6% in pre-tax earnings, since the reduction in the number of transactions was mostly offset by the significant volume of transactions with major enterprises.

We highlight three transactions carried out for Petrobras. In the first quarter, Santander had already helped the Brazilian state-owned oil company to raise US$ 6 billion abroad. At the beginning of December, Petrobras issued 1.85 billion euros in bonds, the largest offering by a Latin American company in the euro market. A week later, Santander led another offering for Petrobras, this time for £ 700 million, being the first transaction by a Brazilian company denominated in pounds sterling.

In 2011, Santander also participated in the coordination of 16 offerings of bank and corporate bonds in the international market, totaling US$ 5.0 billion, and putting us in first place in the ranking of the sector among banks operating in Brazil. These figures also enabled the bank to gain additional 2% market share compared to 2010, reaching 13% according to data from Bond Radar.

We also led seven offerings by Brazilian companies totaling US$ 514 million, and we coordinated 31 local fixed-income transactions, totaling R$ 6.1 billion. In variable income, Santander was the bookrunner for seven transactions totaling R$ 5.5 billion. Santander was the lead coordinator for the Follow-On of EDP - Energias do Brasil S.A., which consisted of the placing of a follow-on public offering totaling R$ 810.7 million. In the mergers and acquisitions area, we participated in 14 transactions, coming to a total of US$ 13.3 billion.

In a market that is somewhat unpredictable, the GB&M segment began a strategy in 2011 which will be intensified in 2012. The objective is to expand the total number of clients and refine the offering of products to companies. In addition to maintaining partnerships with large-sized Brazilian companies, we began a process of attracting medium-sized companies. In the Brazilian economy, this corporate niche is the area that most often seeks funding to expand investment.

The international presence of Santander, with distribution platforms for products and services in Madrid, London, and New York, is another competitive edge in this market. Brazilian companies that wish to make the most of business opportunities in Europe can find within the bank a secure means of expanding their markets.

With investments in technology twice as high as the investments in 2010, the favorable scenario of the Brazilian economy, and the prospects for a more open market in 2012, GB&M ended 2011 in a structured manner, ready to continue its growth trend at a strong and fast pace.

Equities

The Equities area is responsible for the execution of equity buy and sell orders for individuals and institutional investors, especially managers of equity funds in Latin America, the United States, Europe, and Asia. Decisions on the best deals to make are based on reports prepared by a team of market analysts and strategists.

In 2011, we carried out a technological upgrade of operations, both in the individuals and institutional platforms. This initiative expanded our transaction capacity, and minimized operational problems.

In a period when equity markets faced difficulties, this area managed to deliver a significant performance, which resulted in a closer relationship with the client and a proactive stance. In 2011, the BOVESPA Index fell by 18.11%, while the dividend portfolio recommended by the Equities area for individuals achieved a return of 24% in the period. Two short-term strategies in the equity markets, also through the platform for individuals, resulted in a 21% appreciation in the "Technical Report on Equity Transactions (ROTA in Portuguese) and a 46% increase in the "Short Term Trader - ST Trader" report.

We maintained our *Salas de Ações* (Equity Rooms), a dedicated room at the bank's branches where the client has access to analyst reports and where clients can carry out equity market transactions with the guidance of a specialist manager. Pioneer in this type of service, Santander has approximately 100 such rooms, and today is the bank with the largest number of equity trading rooms in Brazil.

LONG-TERM RELATIONSHIPS

In a period of market volatility, contact between businesses and clients is key to decision-making. Among the initiatives that underscore this strategy are the annual conferences with investors.

In August 2011, we held the 12th Annual Santander Brazil Conference, with the presence of 92 institutional investors and representatives of 67 major companies that account for 75% of the BOVESPA Index. The event, which was held in Guarujá (State of São Paulo), received 300 participants a day, with 400 one-on-one daily meetings. In addition to topics related to equity markets, the conference also discussed the financing needs of companies with fixed-income transactions.

At the beginning of 2012, we hosted the XVI Annual Latin American CEO Conference in Cancun, Mexico. In only three days, more than 2,000 one-on-one meetings were held between company representatives and investors. This event had 319 representatives from 126 companies, in addition to 285 executives from 169 institutions that manage investment funds.


Photo: Ricardo Hara

12th Santander Brazil Annual Conference, held in Guarujá, São Paulo

Credit Markets

The year 2011 was marked by volatility in international markets, which created a challenging environment for funding. However, for the fourth consecutive year, Santander ended in first place in the Bond Radar ranking for issuance by Brazilian companies in international capital markets. The Debt Capital Markets area of the bank structured unprecedented transactions, such as the first offering by Petrobras in pounds sterling and euros, opening a new funding channel for the company to reach its target of financing up to US$ 10 billion a year in these markets.

In Brazil, we were also among the leaders in the ranking of transactions in distribution to the stock market. Following a strategy of offering creative solutions to meet client needs, we structured and launched in the market a local "Project Bond" for Cachoeira Paulista Transmissora de Energia – CPTE, a power transmission company owned by the Spanish company Isolux.

In the area of Project Finance, Santander continued to consolidate its leadership position, acting as financial adviser and creditor in important transactions in key sectors for the development of Brazil such as infrastructure, transport and logistics, oil and gas, and water and sewage works. It is worth drawing attention to two deals for which we received recognition: the financing of a second ship for the production and storage of oil for OSX, a company owned by EBX Group which received the award for best financing of an oil and gas project for the year, and the financing for the construction of a terminal for containers and bulk liquids at the port of Santos in São Paulo, for a consortium led by Odebrecht Transport e Participações, which was acclaimed as the deal of the year in the transport sector. These awards were granted by the specialist publication Project Finance International, published by Reuters.

In Acquisition Finance & Syndicated Lending, Santander also demonstrated its leadership capacity in an adverse market environment through the use of creative solutions for its clients. We developed, structured, and coordinated the execution of a multi-currency and multi-creditor line for Gerdau, which enabled its subsidiaries in Latin America, the United States, Canada, and Spain to withdraw money in either local currency or US dollars.

Through Asset & Capital Structuring, which has a product that is fairly unusual in the market, but with high added value for clients, we leased four Airbus 319 aircrafts for TAM and developed 64 MGW of electric power generated by three wind farms at the A-3 energy auctions held by the Brazilian Electricity Regulatory Agency (ANEEL) in 2011.

Global Transaction Bank

The Global Transaction Banking area is linked to companies' transaction flow and deals with the relationship with the client on a day-to-day basis in transactions such as loans, trade finance, custody, and cash management.

The main challenges in 2011 were to overcome the declining funding in dollars in a volatile international market, and overcome the instabilities of the system created by the integration, which had an impact on payroll and cash management processes.

We closed the year with emphasis on custody and cash management, flat for loans operations and reduction in trade finance.

The cash management segment increased its market share to 15%, and expectations are that this figure will further increase in 2012. The transactions ended 2011 showing an increase of 12% compared to the previous year.

In 2011, the loans segment grew by 11%, ending the period with a total volume of R$ 41.5 billion in transactions. One of the actions by the bank in the period was its participation in the creation of C3 – *Central de Cessão de Crédito* (Center for Credit Assignment), with the objective of registering the acquisition of payroll loans and vehicle loan portfolios, in a partnership with FEBRABAN and other financial institutions. 2.10

In 2011, for the fourth consecutive year, we received the award for Best Trade Finance Bank in Brazil from the Trade Finance Magazine. This is an important recognition of our innovation capacity and efforts to find solutions for our clients.

* The Greenvana campaign

Rates

The Rates area carries out foreign-exchange transactions, fixed-income funding and the structuring of foreign exchange, inflation, and interest rate derivatives for businesses in all segments of the bank.

In 2011, the foreign-exchange business showed growth higher than the derivatives business, accounting for 38% share in the results for the area. The foreign-exchange trading desks closed an average of 1,800 contracts a day, which represents an increase of 15% compared to 2010. The goal is to reach 2,500 contracts a day by the end of 2012.

The financial results showed an increase of 17% in 2011, and a key driver for this performance was the integration between the various teams of the bank for the sale of Treasury-Rates products as a supplement to the loan and finance transactions. We established a partnership with the Project Finance area (Credit Markets) and in 2012 we wish to replicate this model in other areas such as Syndicate Finance, DCM, GTB, Corporate Finance, and Real State Loans.

In the Fixed-Income segment, we established the distribution of Mortgage Notes (LCI in Portuguese) through private banking and expanded their sale to the Retail segment. Additionally, we raised R$ 12 billion in Treasury Notes with institutional clients, reaching a total of R$ 17 billion for this instrument, with a market share of 17.2%, according to December data from CETIP. These transactions are part of the challenge to expand funding transactions in a diversified manner to support the expected growth in the bank's assets.

Equity Investments

This is the area in charge of carrying out private equity investments, with funds entirely owned by Santander invested in companies that are part of, or have the potential to be part of, the client base. This area is focused on carrying out investments in order to obtain attractive returns and offer alternative financial and strategic support to Santander's existing and potential clients.

Created in 2008, this area has already analyzed more than 140 investment opportunities, and ended 2011 with an invested portfolio under management of R$ 1.2 billion. In 2011, we made investments of R$ 255 million and generated revenues for the bank of R$ 112 million, mainly from dividends and proceeds from the sale of assets.

Among the deals completed in 2011, we highlight the participation in the creation of and investment in Sete Brasil Participações S.A., a company initially created to own and rent drilling rigs to Petrobras for exploration in the subsalt layer, and the partial sale of investment in shares of Renova Energia S.A., yielding a return of more than 100% per year over the short position.

It's also worth noting the allocation of funds to invest in innovative projects focused on sustainability, underlining the bank's commitment to provide support to entrepreneurship and sustainable development. In this direction, in 2011 Santander acquired a minority stake in Greenvana, a recently created company whose businesses include, among other initiatives, the generation of content and the marketing of sustainable products and services.

Photo: Pisco del Gaiso

WE SEEK TO OFFER A BANKING EXPERIENCE WITH STREAMLINED INTERACTIONS AND MORE EFFICIENT SOLUTIONS

INTANGIBLE ASSETS

A streamlined bank

BY PROVIDING SIMPLER AND STREAMLINED PRODUCTS AND SERVICES, AND IMPROVEMENTS TO ALL COMMUNICATION CHANNELS, WE AIM TO BE THE PREFERRED BANK FOR CLIENTS

A brand name for Santander is more than just a symbol. It is a strategic asset that embodies the perception that the client has about us, in accordance with the client's interactions with Santander. Our goals are achieved as the client perceives how we conduct our relationships on a day-to-day basis. We aim to offer a banking experience with streamlined interactions and more efficient solutions for products and services. Now that the integration process is complete, we have focused all our efforts on expanding the bank's activities. We have invested in projects with focus on internal improvements, in addition to product and service launches, more efficient processes, and improvements in our relationships with our target audiences.

As a result of this process, we have achieved higher levels of brand attractiveness and customer satisfaction. This implies more business opportunities for our client base and more clients willing to choose us as their bank. We are well prepared to return this trust through our professional staff and improved solutions in terms of products and services. And working this way, together, we will become stronger and expand our presence in Brazil.

Closer to our stakeholders

We wish to strengthen our bonds with employees, clients, shareholders, and suppliers. Based on trust, we expect to generate value for all the parties involved in the day-to-day running of our activities, and thus create long-term relationships.

In order to reach our target growth and become the preferred bank of clients, we have developed initiatives for our stakeholders. Under Santander 3.1, we implemented more than 80 projects in 2011, and created a panel of indicators which includes specific goals for each of the 14 fronts. The main fronts include customer satisfaction, the hiring and development of personnel, investment in technology, and revenue growth. All the projects are guided by an advisory committee as well as an operational committee, which closely monitor the progress of the initiatives.

ONE-TWO PASS WITH NEYMAR

In 2011, we continued to invest in major sports events, such as Copa Santander Libertadores, Copa Sul-Americana and Scuderia Ferrari, and we sponsored initiatives which have already resulted in significant visibility for Santander. One example of this is the three-year partnership with Neymar, whereby the soccer player will participate in an advertising campaign up to December 2014. As a result, our brand name is associated with the image of a player who is a cheerful, straightforward, talented, person and is also a striker (forward), which enhances a number of our attributes. The agreement also includes investment in the creation of the Neymar Institute, which will promote social inclusion activities through sports and education.

People management

Throughout 2011, we continued investing in leadership development, in the empowerment of managers, and in training of the entire branch network. We created growth opportunities for our staff through career workshops, and carried out a program for internal mobility.

In 2011 alone, 72% of the openings were filled by people who already worked for Santander. The internal Mobility program represents an opportunity for everyone to develop, learn new skills, and enrich their professional and life experience.

To this end, we held 126 career workshops which had the participation of over 2,700 people, discussing topics on self-development, career, and mobility. In addition, we launched the program *Santander, eu recomendo* (Santander, I recommend) a referral program under which employees and interns refer people in their network of relationships to job openings that have not been filled internally.

Leadership development proceeded with the second class of students of the *Ser Líder Santander* program (To Be a Santander Leader), created in 2009 in partnership with Santander leaders, and which was offered in 2011 to 400 professionals at Santander. The initiative includes individual coaching, assessment, and interactive seminars, with the purpose of preparing leaders to inspire and engage their teams, seeking to achieve business objectives and ensuring the consistency of Santander's strategic content and practices. LA11

Ser Líder Santander is featured at the *Círculo Colaborativo* (Collaborative Circle), an internal social network at Santander (see more on page 111), with content for all employees and interns.

We have also created *Ser Gestor Santander* (To Be a Santander Manager), a program that seeks to develop a group of managers in their different roles as multipliers of Santander's culture, inspirers of teams to achieve the results desired, developers of people, and mentors of career. Training covers

topics such as communication, culture, and engagement, as well as subjects related to day-to-day operations. In 2011, more than 2,000 people participated in this program.

Other corporate programs involve support for formal education processes, such as graduation, post-graduation, MBAs, and language courses, and topics that are applicable to all areas at Santander, such as collaboration, sustainability, diversity, compliance, and risk. These topics are covered in our educational activities and also include specific initiatives.

In 2011, we revised our "Risk and Credit" and "Negotiation" modules with increased focus on sustainability. These modules are part of the Program for Business and Career Management, aimed at employees in the Retail segment.

EMPLOYEES TRAINED PER YEAR LA10

Area	Average e-training hours			Average classroom training hours		
	2009	2010	2011	2009	2010	2011
Operational	25.2	14.6	6.4	67.9	43.9	29.2
Administrative	31.1	19.4	6.6	56.4	38.0	38.8
Specialist	16.1	8.9	2.9	67.8	48.8	56.9
Managerial	7.9	0.7	1.6	82.9	55.5	69.6
Officers	4.2	0.2	0.6	65.9	46.4	50.1


Photo: Pisco del Gaiso

Multiple cultures, many generations

To improve service to our internal target audience and meet the expectations and needs of the various generations and cultures within our organization, the Human Resources area has created segmented service centers, which are currently divided into managers, non-managers, young people, and international movements.

Currently, the age range of our employees spans four generations, and each one has very specific needs. For this reason, by redesigning our operational front in accordance with the needs of our employees, we enabled a more targeted and specialized service. In 2011, we carried out more than 1,200 interactions with our young audience, and approximately 20,000 with managers.

With these and other initiatives, we have managed to maintain the level of engagement of our internal audience at 65%, the same rate reported in our 2010 climate survey.

STAFF TURNOVER BY REGION LA02

Region	Turnover (%)
	2011
Mid-West	12%
Northeast	9%
North	11%
Southeast	12%
South	9%
Total Turnover	**11%**

IMPROVED CIRCLE

The *Círculo Colaborativo*, an internal social network at Santander, was created in 2009 and has become a virtual meeting space for the bank's professional staff to share personal and professional information. In 2011 new features were included on the website, such as a "wall" where it is possible to post, comment, and "like" posts, as well as add links and images. The interaction mechanisms have also been improved and currently users can follow and be followed by other users or areas, send messages, and receive notifications about activities. This innovation had a direct impact on the growth in the network. In December 2011, almost 20,000 single visits were recorded, compared to 8,500 in the same period in 2010.

A critical eye on our activities

In addition to investing in strengthening our bonds with employees, we have given special attention to the satisfaction of our clients. In 2011, one of the main initiatives in this regard was the creation of the Quality Assurance area, which exists in a number of business units at the Santander Group, and in Brazil consists of the following areas: Customer Support Service (SAC, in Portuguese), Ombudsman, Survey, and Quality Management.

We increasingly seek to define key indicators, understand the underlying causes of the main issues, and identify opportunities for improvement. We are also in charge of the mobilization of the other areas of the bank in order to implement solutions that improve our processes, and as a consequence, reduce the number of complaints from consumers.

We have also reorganized our customer service team at SAC and the Ombudsman, where all the third-party staff was hired by the bank. We have also developed improvements in the Interactive Voice Response and in the PeopleSoft system for the registration of client comments, with the purpose of providing faster service and improving the monitoring of client comments, ensuring an improvement in the quality of service.


Photo: Pisco del Gaiso

"Control room" is a space for monitoring queue waiting time over our entire branch network

SAC IN NUMBERS PR5

Type of call	Quantity		
	2009	**2010**	**2011**
Complaints	1,165,492	1,191,595	1,374,718
Suggestions	6,342	6,401	3,835
Praise	13,462	13,820	13,118

Another important initiative in the period was the strengthening of the A+ program, which has the aim of building a closer relationship with clients at Santander's branches and banking service centers (PABs). We have invested in the training of employees within the branch network and in the engagement of teams with a focus on the quality of service and the building of sustainable relationships. The guidelines of the program include proper organization, management of queues, and planned customer service. In the case of queue management, for example, we have also created a "control room" at the Santander Tower, where it is possible to monitor the waiting time throughout our branch network, with the aim of identifying and finding solutions for any inconsistencies.

More interactions within social networks

Santander's social networks gained momentum in 2011, and significantly contributed to building closer relationships with our clients. Today, our profiles on Facebook and Twitter are important service channels and give us the opportunity of strengthening ties and positioning our brand.

We use social networks to share useful information, talk about financial education, and feature our new products and services, as well as provide guidance for clients on the best use of the bank's services.

In 2011, Santander's social networks were mentioned more than 152,000 times and the customer service team carried out more than 110,000 interactions. Twitter, the bank's main communication channel on this type of platform, alone received approximately 8,000 contacts, which received a reply within two working hours on average. On Facebook there were almost 15,000 interactions, with an average response time of up to 24 hours. On the *Reclame Aqui* website (a website for complaints) there were 12,000 complaints in the period, which received a reply within 5 working days.

AN EQUATION AND A POEM

On October 26, Henry Galsky, a client from Rio de Janeiro, submitted a complaint in the form of a poem to Santander's Twitter account and customer service center (SAC, in Portuguese). Inspired by Henry's creativity, we transformed the text into a graphic equation, which provided a solution to the problem in a light-hearted and creative manner. Below, we show an excerpt of the poem and the equation proposed by Santander:

"IT WAS A LOVELY SATURDAY, ON OCTOBER 8
I WAS AT THE SUPERMARKET BUYING BIG FISH
IT WAS THEN THAT, TO MY SURPRISE,
AT THE MOMENT OF PAYMENT, MY CARD DECIDED TO DIE
PLEASE, MR. BANKER, THIS WILY FELLOW IS TRYING TO GET YOUR ATTENTION
IT IS NOT POSSIBLE, MY FRIEND, THAT THERE IS NO SOLUTION
EVEN THE POSTMAN WORKS HARD AND PUTS IN EXTRA HOURS
I DON'T WANT YOUR MONEY, MR. BANKER, I ONLY WANT MY CARD
SOLVING THIS EQUATION IS CERTAINLY NOT THAT HARD"

And the reply from Santander...

Financial guidance

The use of credit in a responsible manner brings benefits for both the bank and the client, because it avoids high default rates and over-indebtedness. This is the reason why financial education is directly associated with our core business, and does not consist only of clarifying the policies and practices implied in a particular loan. We work to create awareness of the proper use of money, so that people are able to organize their lives, which drives development and a positive growth cycle for both the economy and society.

At Santander, this belief has already been converted into a number of actions and is always present in internal and external discussions and training. We deal with the topic across all areas and seek to include it in a number of initiatives that range from a website for children to a structured program for clients and suppliers.

In 2011, financial education was introduced in a wide-reaching manner into Santander's educational practices on sustainability. In the Retail segment, 1,600 employees in the branch network participated in the training on Conscious Consumption and Personal Financial Guidance, which means that approximately 50 professionals participate in this initiative every week.

Another 160 employees received classroom training in a 32-hour program entitled *Programa Economia de Valor* (Value Economics Program), with the purpose of training consultants to carry out seminars and individual guidance on the topic. Based on this action, financial "advisors" delivered lectures to more than 2,600 people, including clients, suppliers, and members of the community.

In the same period, we also launched the *Programa de Formação de Multiplicadores em Orientação Financeira* (Education Program for Multipliers on Financial Guidance) for employees in the University area. A total of 26 professionals trained by the program delivered lectures to 700 university students, professors, and employees of higher education institutions.

In October, we launched an online course entitled *Vida Financeira* ("Financial Life"), which promotes awareness of personal financial management, with 205 people participating.

We also offer to external stakeholders specific content on the topic through our sustainability portal (www.santander.com.br/sustentabilidade), where it is possible to find a guide entitled Conscious Consumption of Cash and Credit prepared in partnership with Instituto Akatu, as well as additional material that covers the topic in a practical and conceptual manner.

On the website *Brincando na Rede* (Playing on the WebNetwork) (www.brincandonarede.com.br), we have taken financial education to children in a light-hearted and amusing manner, through games and activities that teach the basics of sustainability and conscious consumption. Launched 10 years ago, this portal offers content developed especially for children and their parents, through which all learn how to adequately control their money, and are encouraged to make decisions about the best way of using money. **FS16**

The portal *Brincando na Rede*: financial education for parents and children

Space for good practices FS5

We have raised the topic of sustainability with clients and suppliers who participate in the *Espaço de Práticas em Sustentabilidade – Práticas* (Space for Sustainability Practices – Practices), a program to share experiences and engage stakeholders with the purpose of disseminating good sustainability practices among our target audiences. We also offered a classroom course entitled *Caminhos e Desafios* (Pathways and Challenges). All this content is available on our portal (www.santander.com.br/sustentabilidade).

Created in 2007, *Práticas* has become a benchmark for businesses that wish to engage their clients and suppliers. In 2011, the classroom course *Caminhos e Desafios* brought together 1,129 leaders from 685 organizations. Our site registered more than 1.5 million visits and has made new content available to users.

An example of this is the adaptation of the play *Colcha de Sonhos* (Quilt of Dreams), produced by Santander in web series format. The show has covered topics such as entrepreneurship, financial education, and the environment for entrepreneurs and clients of Santander Microcredit and their families. In total, 551 people and 63 entrepreneurs watched the play, with another 430 people watching the film.

Commitment to sustainability

Our commitment to sustainability is evidenced in a number of initiatives and is present in our day-to-day operations. We have developed specific lines of credit for sectors, such as generation of clean energy; we offer support to businesses that wish to make their operations more eco-efficient, and we have strict processes in place to assess socio-environmental risk.

Photo: Helena Rios

Scene from the play *Colcha de Sonhos*

CAMINHOS & ESCOLHAS: WITHIN EVERYONE'S REACH

Santander's *Caminhos & Escolhas* (Pathways & Choices) is a pioneering virtual platform, created in 2010 to attract and interact with youths interested in working in the banking sector. We have developed and made available content that enables them to be aware of their strengths and learn more about the activities of the banking sector, through the use of tools created by students, teachers, trainees, bank employees, and career and information technology specialists.

The platform is free and open to anyone who wishes to develop, contribute, or share ideas and ask questions about career and employment opportunities at Santander. Thus, it is also a résumé database, because it allows registered users to participate in the organization's recruitment processes.

Caminhos & Escolhas offers interactive workshops that help to gain a better knowledge of the routines of the financial sector, and provides tips on how to enter this market. These workshops simulate a working day in various areas of the bank (such as Risks, Wholesale, Sustainability, and Microcredit, to name a few) and demonstrate in practice the activities of the professionals who work in these divisions.

The portal also provides information about the labor market, with tips on a number of relevant topics for the career, types of career, most sought after skills and competencies. Through articles, forums, quizzes, chats, and online communities, youths can expand their relationship network and share experiences and ideas with other users and also with Santander employees.

As of December 2011, the platform had 145,000 registered users, more than 570,000 visits, and more than 4.7 million page views.

Photo: Pisco del Gaiso

A new technological level

Technology is key for us to achieve our goal of being a simple and streamlined bank, and is one of the foundations of the Santander 3.1 project. We worked on approximately 1,400 technological projects throughout the year, and replaced more than 1,300 ATMs in locations with heavy client traffic, such as companies that have agreements with the bank, airports, and highways. The target for 2012 is to replace approximately 4,000 ATMs.

We continued advancing in the work of our new Data Processing Center, located in Campinas, São Paulo, in an area of approximately 600,000 m². This center will have the capacity to support all of the bank's operations for the coming years, with the highest level of security in the market and will take Santander to a new technological milestone.

Santander via mobile

Another new feature in 2011 was the launching, in August, of Santander's mobile banking system, *Santander Móvel* (Santander Mobile), which had more than 250,000 registered users and 150,000 active users by the end of the year. Available for cell phones that use the Apple and Blackberry platforms and devices with the Android operating system, this was one the most downloaded apps by Santander clients, and ranked first for three days in the ranking of The Apple Store's most popular downloads.

Among the most used services are balances and account statements, credit card statements, mobile top up, bill payment, and ACH/ETF. As a result of the major success achieved by Santander mobile services, in January 2012 we launched a version for all cell phones which have Internet browsers.

SYSTEM MIGRATION BRINGS INTEGRATION TO A CLOSE

The migration of technological systems marked the last phase in the integration process between Santander and Banco Real. This was a complex process that began more than three years ago and involved 38 million accounts and 9 million active clients. By unifying all the systems into one single technological platform, we have achieved more empowerment at branch network level, including optimized processes and increased service capacity, in addition to reducing waiting times in communication channels with external audiences.

The migration of the accounts and operations began on February 13, 2011 and was completed on March 20, 2011, when all the individual and corporate clients from the Retail and Wholesale Divisions started to carry out their transactions on the new platform. This process involved more than 20,000 employees from various areas of Santander and required a period of adapting for our clients and employees.

TECHNOLOGY INTEGRATION IN NUMBERS

- **38 MILLION CURRENT ACCOUNTS**
  MIGRATED TO A SINGLE PLATFORM
- **20,000 EMPLOYEES**
  INVOLVED IN THE ENTIRE PROCESS
- **11,330 EMPLOYEES**
  OF THE BRANCH NETWORK TRAINED IN CLASSROOM COURSES
- **8,329 EMPLOYEES**
  RECEIVED ON-THE-JOB TRAINING
- **1,398,529 HOURS**
  OF TRAINING
- **20 SIMULATIONS**
  CARRIED OUT IN 2011
- **2 TESTS**
  INVOLVING THE ENTIRE BRANCH NETWORK


Photo: Pisco del Gaiso

Photo: Pisco del Gaiso

UFAM students in a tank of *pirarucu* fish: learning about the practice and support for the community

OUR INITIATIVES HAVE THE PURPOSE OF CONTRIBUTING TO SOCIAL CHANGE AND REINFORCING SANTANDER'S PRESENCE IN THE MARKET

SOCIAL AND CULTURAL INVESTMENT

Inclusion through art and education

WE SUPPORT STRUCTURED PROJECTS THAT ACT ON RELEVANT CAUSES IN ORDER TO PROMOTE AFFECTIVE TRANSFORMATIONS, INFLUENCE AND STRENGTHEN PUBLIC POLICIES

The main priority of Santander's social and cultural investment policy is to strengthen the presence of the bank in the marketplace by means of inclusive actions and initiatives that involve the participation of employees, interns, customers, suppliers, government, and society.

Our social investments focus on the improvement in the quality of education in the country, contributing to social transformation by means of continuous, mobilizing programs.

As far as cultural actions are concerned, we seek to link them to our business strategy. In 2011, we broadened those initiatives targeting low income communities and we maintained investments in projects that promote the importance of Brazilian culture.

Social Investment

Santander's initiatives involve the promotion of citizenship, voluntary service, and the protection of the rights of children and adolescents. This work is done through permanent, structured actions such as the programs *Projeto Escola Brasil* (Brazil School Project or PEB in Portuguese) and *Amigo de Valor* (Valued Friend).

In addition, we work with the topics of entrepreneurism and income generation, environment, and diversity. It is in this context that we create programs such as *Parceiras em Ação* (Partners in Action), which supports micro businesses created by low-income women, by providing training workshops so they can develop their businesses, thereby enabling improvement in the quality of life of women and their families.

Another example is the *Prêmio Santander Universidade Solidária* (Santander University Solidarity Award) which is part of the *Prêmio Santander Universidades* (Santander Universities Award) and invests in university extension course projects under the topic of "Sustainable development with an overall emphasis on income", prepared by and undertaken with the participation of teachers, students, and the local community.

In Manaus, in the state of Amazonas, the Federal University of Amazonas (UFAM) has developed a project supported by Santander to promote fish farming in floating net cages associated with ecological tourism, fostering environmental education as an alternative for generating income and protecting the environment in the community of São João do Tupé, located in the Sustainable Development Reserve (REDES Tupé).

With heavy participation from teachers, students, and the community, as well as young representatives who went on to join existing research groups at the University, the initiative generated a 10% increase in household income and the implementation of an ecological tourism itinerary as well as the installation of cages for breeding and exhibiting the fish known as *pirarucu* and the development of a textbook with emphasis on environmental education.

Concerning diversity, *Programas Exemplares* (Exemplary Programs) is an initiative that supports innovative projects that aim to implement policies or programs for the promotion of active ageing, improving the quality of life of elderly people. In 2011, ten projects were supported throughout the country, benefitting 5,531 people. A good example is the project developed by the Department of Justice in Natal, State of Rio Grande do Norte, which trained nearly 1,700 bus drivers and conductors, in order to fight the high rates of violence against elderly people in urban transport.

* The *Amigo de Valor* campaign

Education flagship

PEB contributes to improvements in basic education in the public school system in Brazil through the voluntary participation of Santander employees working in partnership with school principals and other members of the school community (students, parents, teachers, employees, among others).

Conducted on a national scale, in locations where we operate, the PEB offers training and tools for volunteers to help the school community identify the strengths and weaknesses of the school and prepare and execute an action plan that promotes continuous improvement in quality.

One such example of the positive impact of the program is the story of the Anita Garibaldi Municipal School, located in a low-income district in the town of Toledo, in the state of Paraná. When the school commenced its partnership with the PEB in 2008, it had the lowest Basic Education Development Index (IDEB in the Portuguese acronym) in the city, reflecting serious problems with management, infrastructure, education, and learning, among others. With the work of volunteers, participation of the community, and the continued education programs offered to educators (school principals and teachers), the school today has one of the highest IDEB indices in the city, rising from 4.5 in 2007 to 5.5 in 2009.

In 2011, we extended the continued education programs by establishing partnerships with departments of education where there are PEB schools. We are offering continued education programs in reading, writing and math to 39 technicians from 15 departments of education who, in turn, apply it to 494 school counsellors and 5,427 teachers in 432 schools. This program has had an impact on the education of 124,778 students.

Currently, 1,875 volunteers are involved with PEB, and they are organized into 227 groups, working in partnership with 183 public schools across the entire country.

Ten years of *Amigo de Valor*

The *Amigo de Valor* program facilitates the channeling of a part of the income tax payable by employees, interns, Santander customers and suppliers, and other companies in the group to Municipal Funds for the Rights of Children and Adolescents (*Fundos Municipais dos Direitos da Criança e do Adolescente*). This effort is aimed at improving the care of children and adolescents who live in Brazilian cities that have critically low social indicators.

In ten years of experience, the program has evolved and improved. One of the most important things we have learned during this time has enabled us, in the first year of support, to begin investing in "municipal diagnoses" carried out by the Committees for the Rights of Children and Adolescents in order to map the strengths and weaknesses in the system that protects children and adolescents in each location. This work, which lasts one year, qualifies the committee members to identify problems in the region where they operate and to promote dialogue with other leaders in the municipality in order to help prepare and plan the Municipal Policy for the Protection of Children and Adolescents, which determines the projects to be undertaken in the following year.

In 2011, we channeled R$ 9 million into all the social projects identified as a priority by the 48 cities selected in 2010. Throughout the year, we enjoyed the collaboration of around 3,000 employees acting as "multipliers", who succeeded in engaging almost 30,000 other employees and more than 3,500 customers. EC8

Prêmios Santander Universidades (Santander University Awards)

In 2011, in its seventh edition, *Prêmios Santander Universidades* awarded R$ 1 million in prizes to 20 projects of students, teachers, researchers, and universities, including eight scholarships to Babson College in the USA, granted to the four winning students and four teacher coordinators. A total of 6,143 projects were submitted by nearly 400 universities.

30,000

EMPLOYEES

OF SANTANDER WERE ENGAGED IN THE *AMIGO DE VALOR* PROGRAM IN 2011

Shared knowledge

Universia is the largest Ibero-American university collaboration network, developed to create new opportunities and further cooperation between universities based on a platform that brings together professors, students and businesses. It presently includes 1,216 institutions of higher education in 23 countries in Latin America and the Iberian Peninsula, reaching 14 million students and professors.

Its four strategic pillars were redefined for the period from 2011 to 2013. Activities are now divided into Employment, Knowledge, Collaboration and Future. As far as Employment is concerned, the aim is to reflect the relationship between talent and employment, facilitating the search for the first job and professional experience for university students. The purpose of the Knowledge pillar is to be the driver of innovation, connecting academic research to business practice. In turn, the Collaboration pillar seeks to create physical and virtual sites for the debate on the inter-university relationship so as to be able to discuss trends in higher education, and education in general. The last pillar, Future, seeks to create initiatives and tools to help university students with their professional education.

In 2011, the main relationship channel of the network in Brazil, *Portal Universia* (www.universia.com.br), received more than 1.8 million visitors. We also supported a variety of other initiatives including:

- In the Employment pillar, the Accenture project contributed to an increase in the employability and professional development of undergraduate and graduate students in 17 universities partnered with Universia;
- In the Knowledge pillar, the OpenCourseWare (OCW) UNICAMP was launched in April. This is a portal conceived to host digital educational content from undergraduate course subjects, offered free-of-charge to the community;
- In the Collaboration pillar, two projects were developed: one which helps Santander to disseminate the topic "How to prepare future professionals to design new business models in a more complex, interdependent society"; and the other focused on applied research, conducted via a partnership with Serasa Experian, in order to expand the dissemination of topics of interest within the academic community;
- In the Future pillar, we sponsored Campus Party 2011, an event which brought together around 6,800 adolescents and university students.

Cultural Investment

In 2011, we continued with our program to support contemporary art and we promoted a variety of actions in our Santander Cultural units in Porto Alegre and Recife. We sponsored the 8ª Bienal do Mercosul (8th Biennial of the Common Market of the South), one of the main cultural initiatives in Porto Alegre and the Americas, and the *Vestígios de Brasilidade* (Traces of the Brazilian Identity) exhibition held at the Santander Cultural in Recife, with the aim of relating the concept of Brazilian identity to the production of contemporary art. The exhibition presented elements collected in the 1950s and 1960s that somehow have contributed to building a national identity.

Another significant vector in our cultural actions is the creative economy, which we support through projects that reward good ideas and business sustainability. One such example is *Empreendedores Criativos* (Creative Entrepreneurs), which promoted the exchange of knowledge among small entrepreneurs operating in creative industries in a collaborative fashion. All of the project content was made available on the Internet, such as classes and workshops taught by

professionals from both the cultural realm and the bank. Along these lines of fostering the creative economy, we supported the Culture and Market portal, one of the main references on the topic in Brazil and the book *Cidades Criativas-Perspectivas*, the first on the subject to be launched in the country and available for download on the Internet, and we also supported the Paraty Eco Fashion, a project that introduced the topic of sustainability into the fashion industry of the city of Paraty, in the state of Rio de Janeiro.

In addition, we inaugurated two outdoor fitness centers in communities in Rio de Janeiro: one in the district of Cidade de Deus and the other in the Complexo do Alemão. These fitness centers allow residents to work out under the supervision of physical education professionals. In 2011, more than 3,000 people signed up.

We also promoted *Desafio da Paz* (The Peace Challenge), a race that retraced the steps of the drug dealers who fled the Morro do Alemão towards Vila Cruzeiro at the end of 2010, during the police operation to bring peace to these communities. The aim of the race was to carry a message of peace to the population.

INVESTING TODAY IN THE *MUSEU DO FUTURO* (MUSEUM OF THE FUTURE)

Among the initiatives carried out in Rio de Janeiro, we would highlight the support for the construction of the *Museu do Amanhã* (The Museum of Tomorrow), which is part of Porto Maravilha, a local government program designed to revitalize the capital city's port district.

The project by architect Santiago Calatrava introduces a new science museum concept which proposes to engage visitors in a reflection about how we can help make the planet more sustainable. In addition to having moveable solar energy panels, the building will be kept cool using water from Guanabara Bay, which will be returned, clean, to the sea.

The museum's inauguration is scheduled for 2014 and we have already made a commitment to maintain it for a further ten years.

Photo: Pisco del Gaiso

OUR CLIMATE GOVERNANCE STRATEGY GUIDES THE DIFFERENT AREAS OF THE BANK TO PERFORM COMPREHENSIVELY AND INDEPENDENTLY

ENVIRONMENTAL MANAGEMENT

Integrated vision

RELYING ON A DIFFERENTIATED STRUCTURE AND A TECHNICAL AND MULTI-DISCIPLINARY TEAM, WE AIM TO ENCOURAGE A LOW-CARBON FOOTPRINT ECONOMY AND DISSEMINATE OUR BEST PRACTICES TO SOCIETY

Global warming and climate change are among the greatest challenges of our time, and require special attention from major corporations. At Santander, the Climate Governance strategy provides guidance for the different operations of the Bank to perform in an extensive and independent manner. In addition to actions which aim to reduce emissions and promote the low-carbon footprint economy, we encourage the application of eco-efficiency concepts and the dissemination of good practices among our customers, suppliers, and society as a whole. EC2

By looking at our impact, resources, and environmental expenditures in an integrated manner, we are able to take more assertive actions and accumulate technical knowledge capable of generating good business opportunities. One practical example of this operational model is the manual for sustainable construction involving construction and remodeling of the bank's properties.

This manual combines guidelines and a number of concepts of sustainable construction with a reduction in the consumption of water and energy combined with the use of environmentally friendly products, and engineering and architectural techniques that prioritize the use of natural light. The manual is also shared with customers and suppliers, and has been an important channel for the dissemination of good construction practices for our stakeholders.

The result of this work can be seen in the 154 branches that we inaugurated in 2011, built in accordance with the same concept as the Granja Vianna Branch in São Paulo, opened in 2007, the first to receive LEED certification (Leadership in Energy and Environmental Design) in Latin America. EN26

Another example of this is the guide for Best Practices in Agribusiness, launched in partnership with the sales area in 2011 to foster the best sustainability practices in this sector. Many of the practices described in the guidebook, distributed to relationship managers and customers, address issues concerning climate change.


Photo: Pisco del Gaiso

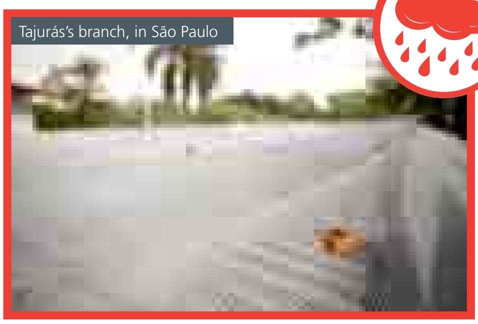
Branch in Niterói, in Rio de Janeiro

THE 154 BRANCHES OPENED IN 2011 WERE ALL BUILT IN ACCORDANCE WITH SANTANDER'S CONSTRUCTION MANUAL

Sustainable Branch

WE HAVE PREPARED A MANUAL OF BEST PRACTICES IN CIVIL CONSTRUCTION FOR MORE THAN 260 BRANCHES INAUGURATED IN THE LAST TWO YEARS AND FOR THOSE WHICH HAVE BEEN RENOVATED. THIS GUIDE IS ALSO SHARED WITH SUPPLIERS AND OFFERS THE LATEST ON SUSTAINABLE CONSTRUCTION. SEE HOW THESE CONCEPTS WERE PUT INTO PRACTICE IN SOME BRANCHES OPENED IN 2011:

Location
The branch is located in a highly populated urban area with high average temperatures and no trees to ease high temperatures.


Tajurás's branch, in São Paulo

Capturing rainwater
We use of river water to wet plant beds and to flush toilets. More than 150 branches use this resource while reducing consumption in up to 50%. **EN10 E EN26**

White roofs
Concrete slabs are thermally insulated thereby lowering the need for air conditioning; the roofs are also covered with metallic tiles painted white, reducing solar incidence and contributing to fight global warming. According to studies conducted by the Lawrence Berkeley National Laboratory, for each 100 m² of roof area painted white, approximately ten tons of CO_2 are not emitted into the atmosphere.

Green area
We created a green area to compensate the lack of vegetation and we made changes in the land to the effect of increasing permeability levels to facilitate the draining of water.

Photos: Pisco del Gaiso

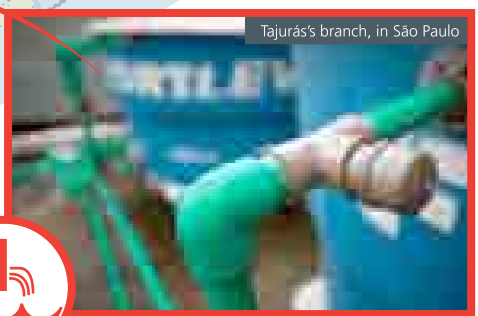
Recyclable materials
A large part of the materials used in branches is recycled such as cement with electric arc furnace slag, PET pipes and rubber applied to tactile floors. Interlocking flooring with cast sand reuses approximately 50 tons of materials that otherwise would go for disposal. EN26

Electricity Economies
Automation of air conditioning and the installation of timers to turn on and off ATMs, external visual communications and internal lighting. EN5

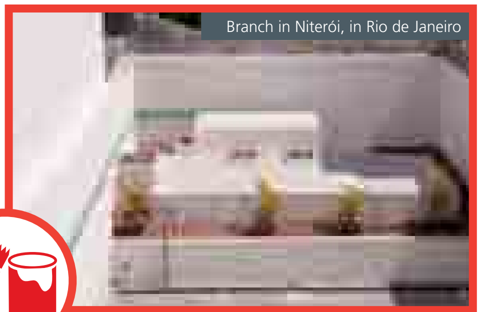
More light, lower consumption
High efficiency lamps with a lower electricity consumption offer 10% more light as compared to regular bulbs. EN5

Certified wood
The wood used in construction, furniture, door edges, skirting boards, to name a few, had its origin certified by FSC. We also minimized the use of wood in scaffolds and fences, with reusable frames or pre-molded slabs as a replacement. EN26

Water consumption saving
Taps with aerators and automatic shutoff. We also use double flush toilets, among other actions, to reduce water consumption. EN8



Tajurás's branch, in São Paulo



Branch in Niterói, in Rio de Janeiro

Piping
Piping made of polypropylene and water storage tank in polyethylene. These materials have a low VOC (volatile organic compounds) emission; these are organic chemicals containing carbon, which are harmful to health and to the ozone layer.

Water-based paint
Paints, textures and enamels are water-based. They are less harmful to health and do not have an impact on the ozone layer.

Management of emissions

The knowledge that we have acquired over time and the quest to achieve greater efficiency in our operations have led us to find modern and efficient solutions, capable of providing a return in terms of benefits for the customers – particularly enterprises that seek to improve their management, but do not know where to start. In addition to presenting our management model and the most sensitive aspects in order to achieve significant gains in efficiency, we help our customers find the solutions that are most suitable for their businesses.

The work with suppliers follows the same principle. We encourage our partners to have emission inventories and adopt practices which also reduce their impacts. As a result, we have been able to improve our own inventory and make it more in line with reality. More complete year after year, the document included new sources of emission in 2011. Today, it includes the consumption of paper, the construction of new branches, air travel, the volume of organic waste, the consumption of power in buildings where call centers are located, fuel consumption of vehicles of suppliers transporting valuables, employees who work in the administrative buildings in São Paulo and the vehicles for the *Papa-Pilhas* program, an initiative which involves the collection of cell-phones and batteries used for recycling, which contributes to the appropriate disposal of these materials. EN18 EN26 EN29

This inventory has been carried out since 2006, based on the Greenhouse Gas Protocol Brazil (GHG Protocol Brazil). The efforts to improve the level of emissions have produced results: between 2010 and 2011, emission levels remained virtually flat, with a slight reduction of 1.7%, mainly due to more efficient logistics operations. When we look from the perspective of volume of emissions per employee, we generated 1,880 kg of CO_2 per person in 2010 and 1,730 in 2011. However, the challenge of continuously making the inventory reflect reality persists. We have significant potential for improvement in the next editions: we will be including emissions generated by employees, for example, when commuting to work.

Another differential is in the external audit and verification of the processes, information and emissions we include in the document, which have contributed to our receiving a Gold classification under the GHG Protocol Brazil program, awarded by the *Fundação Getúlio Vargas* which analyzes the inventories of major companies.

In addition, in 2011 Santander joined the *Empresas pelo Clima* (EPC) initiative, a corporate platform for the mitigation of and adaptation to climate change. This is carried out with the support of strategies, policies and systems for the management of greenhouse gas emissions, while encouraging the creation of a regulatory standard for a low-carbon economy in Brazil.

Greenhouse Gas Inventory
EN16 EN17 EN29

CO_2 emissions (t) in 2011	Total
Scope 1 (refrigerating gases, generators and vehicle fleet)	7,598
Scope 2 (purchase of electrical energy)	8,872
Scope 3 (aircraft trips, third party organic waste, battery collection points, third party electrical energy consumption and transportation of goods and freight)	84,088

Water, waste and energy

Since 2008, we have had a policy of managing building waste, which aims to reduce the generation and optimize the use of material and the reuse, disposal, and/or recycling of such material. In 2011, 45% of the total waste considered to be Class II - A (concrete, bricks, ceramics and earth, to name a few) were recycled or reused. In the case of Class II - B waste (wood, steel, plastics and paper, for example), this rate was 47%. When building or remodeling our buildings and properties, we observed a number of socio-environmental criteria in the development and execution of the projects, in order to maximize the efficiency of the operations in the building under construction.

In 2011, we implemented a composting center at the Santander Tower and started to treat all organic waste, which is now transformed into compost. As a result, we have eliminated the generation of this type of material in the administrative building, and have minimized our environmental impact, with a direct impact on cost reduction.

In the administrative buildings that have been granted the ISO14001 certification (Santander Tower and CASA1 in São Paulo, Savassi in Belo Horizonte, Rio Branco in Rio de Janeiro, and the Fernando de Noronha branch in Pernambuco), we improved our selective waste collection to 38.8% of the total in 2011. In 2010, this rate was 26.1%.

Due to the expansion of the branch network and the increase in the number of construction projects, we saw an increase in total water consumption of 11.95% in 2011 compared to the previous year. The total was 1,061,955 m³ of water used, but initiatives to reduce consumption, such as the use of vacuum flushing and rainwater catchment, generated good results. Considering the administrative buildings alone, we managed to achieve a 9.4% reduction in water consumption in 2011. EN8

We continually seek alternative sources for the purchase of sustainable energy. Currently, all the electricity consumed by buildings CASA1 and CASA3 come from small hydropower plants (PCHs). This source also provides part of the power consumed in the Tower, and today represents 45% of the total power supplied to the administrative buildings.

Power consumption EN4

(In Gj)	2009	2010	2011
Branches, PABs (mini branches) and PAEs (concessionaires)	700,660	789,466	814,922*
Administrative buildings (concessionaires)	302,502	148,262	198,716**

* In 2011 we changed the calculation method by applying the individual rate by branch, differentiating low from medium voltage. To ensure comparability, power consumption in the branches in 2010 was modified based on this criterion.
** Considers 15 administration buildings.

Specific consumption (Gj per employee)

	2009	2010	2011
Branches, PABs (mini branches) and PAEs	21.5*	22.0	21.6
Administrative buildings	15.2	8.0	16.4

* Does not include PAEs.

Santander Forest EN18

Since 2008, we have offset part of our carbon emissions through the Santander Forest Project (*Floresta Santander*). In addition to planting trees to offset our emissions, the initiative generates income and employment opportunities in communities close to the cultivated land. Another consequence is an improvement in local biodiversity and microclimate.

This reforestation is taking place in degraded areas, in locations with a low Human Development Index (HDI) and carried out with the support of the local community. In this way we contribute to the reclaiming of native forest in the southern region of the state of São Paulo (Vale do Ribeira) and in the north of the state of Paraná. Since 2008, we have recovered 216 hectares in degraded areas.

In addition to offsetting the bank's emissions, the recovery of the vegetation also contributes to the preservation of water resources and biodiversity. In some locations, such as the town of Prado Ferreira (PR), significant achievements such as the protection of the water catchment system and a reduction in erosion around springs can be seen.

Photos: Pisco del Gaiso

About this report 3.1 3.3 3.4 3.5 3.6 3.10 3.13 4.13 4.14 4.15 4.16 4.17

Santander's Annual Report shows the bank's performance from economic, social, and environmental aspects in 2011, a year in which we finalized the process of integrating the systems of Santander with Banco Real, completed our strategic review cycle, and strengthened our processes and practices. The Annual Report is drawn up in accordance with the guidelines of the Brazilian Association of Listed Companies (ABRASCA in Portuguese) and Global Reporting Initiative (GRI).

To compile the information in this report, we interviewed the key executives of the bank and conducted a materiality study with internal and external stakeholders. The objective was to identify opportunities to improve the report, as well as to identify the key subjects and topics which should appear in the report, in the opinion of these stakeholders.

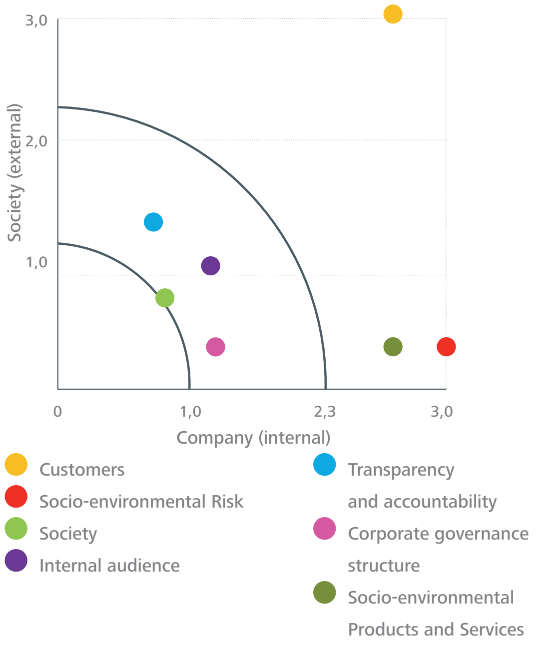
In the second half of 2011, we formed two panels. The first, in August, included corporate and individual customers, suppliers, shareholders, investors, employees, specialists in sustainability, and representatives of NGOs, as well as other entities of society.

The second had the participation of employees, who discussed the key topics in terms of materiality, the identification of subtopics to accompany them, and the management and selection of indicators that best represent the progress made by the bank in terms of GRI protocols, the Corporate Sustainability Index (ISE/BM&FBOVESPA), the Green Protocol, from the Brazilian Federation of Banks (FEBRABAN) and the Carbon Disclosure Project (CDP).

The materiality study led us to draw up a matrix which expresses the most relevant topics for the bank, in the opinion of the various stakeholders interviewed. This work continued with the mapping of more than 700 pieces of information, grouped into four main areas: Business, Governance, Stakeholders, and Environmental Management. In the subsequent step, we defined the topics and subtopics. The main topics are: Customer (satisfaction and financial guidance), Socio-environmental risk (co-responsibility in credit extension), Society (Education), Internal Target Audience (diversity), Socio-environmental products and services (sustainable businesses).

This work enabled us to define the priority topics and the sustainability indicators which are shown in the Sustainability Indicators, in the Annual Report (www.santander.com.br/ir), thus providing guidance for the communication of comparable information, and which has evolved over time.

CONVERGENCE OF TOPICS – INTERNAL AXIS VS. EXTERNAL AXIS



It is important to highlight that the indicators that are not the focus of this report continue to be monitored, and can be found at: www.santander.com.br/sustentabilidade. We have used the GRI G3 guidelines and the GRI sector supplement for the financial sector, and in our opinion the report meets the GRI application level A+. Here, we are also presenting the initiatives with respect to the Global Compact Principles, of which the bank has been a signatory since 2007. In this way, we are reaffirming our commitment to support and disseminate the principles of the Global Compact.

The information and results disclosed in this publication cover the companies which, up to December 31, 2011 belonged to Santander. The quantitative data refer to the period between January 1 and December 31, but material and subsequent information have also been included.

For any queries or suggestions please contact relacoes.institucionais@santander.com.br.

GRI application level check statement

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Banco Santander (Brasil) S.A.** has presented its report "2011 Annual Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, March 27th 2012

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The "+" has been added to this Application Level because Banco Santander (Brasil) S.A. has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. [illegible] www.globalreporting.org

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GRI CONTENT INDEX

THE SANTANDER ANNUAL REPORT MEETS THE REQUIREMENTS OF GRI LEVEL A+ APPLICATION. 3.12

* Annual Report/ Sustainability Indicators
ISE = Corporate Sustainability Index (*Índice de Sustentabilidade Empresarial*)
CDP = Carbon Disclosure Project

GRI	Indicator	Reported	Reason for omission	Page AR/ Indicators*
PROFILE				
1. Strategy and Analysis				
1.1	Message from the CEO	Complete		9, 11
1.2	Description of key impacts, risks and opportunities	Complete		11, 23, 24, 39, 53, 85, 102/ -
2. Organizational Profile				
2.1	Name of the organization	Complete		13/ -
2.2	Primary brands, products and/or services	Complete		77/ -
2.3	Operational structure of the organization	Complete		36/ -
2.4	Location of organization's headquarters	Complete		São Paulo – State of São Paulo
2.5	Countries where the organization operates and where its major operations are located	Complete		18/ -
2.6	Nature of ownership and legal form	Complete		29, 36/ -
2.7	Markets served	Complete		13, 18, 48/ -
2.8	Size of the organization	Complete		13, 14, 15, 17/ -
2.9	Significant changes during the reporting period	Complete		9, 13/ -
2.10	Awards received in the reporting period	Complete		3, 106/ -
3. Report Parameters				
3.1	Reporting period for information provided	Complete		130/ 3
3.2	Date of most recent previous report	Complete		2011
3.3	Reporting cycle	Complete		130/ 3
3.4	Contact point for questions regarding the report or its contents	Complete		130/ 3
3.5	Process for defining report content	Complete		130/ 3
3.6	Boundaries of the report	Complete		130/ 3
3.7	Statement of any specific limitations on the scope or boundaries of the report	Complete		130/ 3
3.8	Basis for reporting	Complete		130/ 3
3.9	Data measurement techniques and calculation bases	Complete		If required, these are described on the relevant indicator
3.10	Re-staments of information provided in earlier reports	Complete		130/ 3
3.11	Significant changes in the scope, boundary or measurement methods applied in the report	Complete		If required, these are described on the relevant indicator

GRI	Indicator	Reported	Reason for omission	Page AR/ Indicators*
3.12	Table identifying the location of the information In the report	Complete		132/ 58
3.13	Policy and current practice with regard to seeking external assurance for the report	Complete		-/ 67
4. Governance, Commitments and Engagement				
4.1	Governance structure of the organization, including committees under the highest governance body	Complete		27, 29, 30/ -
4.2	Chair of the highest governance body	Complete		30/ -
4.3	Independent or non-executive members of the highest governance body	Complete		30/ -
4.4	Mechanisms for shareholders and employees to provide recommendations	Complete		35, 38/ -
4.5	Relationship between employee compensation and the performance of the organization (including social and environmental)	Complete		-/ 51
4.6	Processes to ensure that conflicts of interest are avoided	Complete		30, 40/ 51
4.7	Qualifications of the members of the highest governance body	Complete		27/ -
4.8	Statements of mission and values, codes of conduct and relevant internal principles	Complete		9, 23, 41/ 51
4.9	Responsibilities for the implementation of economic, environmental and social policies	Complete		27, 30/ -
4.10	Processes for the performance self-evaluation by the highest governance body	Complete		27/ -
4.11	Explanation of whether and how the organization applies the precautionary principle	Complete		102/ 43, 44
4.12	Letters, principles or other initiatives developed externally	Complete		102/ 40, 41
4.13	Memberships in associations and/or national/international bodies	Complete		130/ 3
4.14	List of stakeholder groups engaged by the organization	Complete		130/ 3

GRI	Indicator	Reported	Reason for omission	Page AR/ Indicators*
4.15	Basis for the identification and selection of stakeholders with whom to engage	Complete		130/ 3
4.16	Approaches to stakeholder engagement	Complete		130/ 3
4.17	Key topics and concerns that have been raised through stakeholder engagement	Complete		130/ 3

MANAGEMENT APPROACH

GRI / INDICATOR	Reported	Reason for omission	Page AR/ Indicators*
EC			
Economic performance	Complete		66/ -
Market presence	Complete		25/ 34
Indirect economic impacts	Complete		119/ 18, 23
EN			
Materials	Complete		127, 128/ -
Energy	Complete		129/ -
Water	Complete		128/ -
Biodiversity	No	Non-material	
Emissions, effluents and residues	Complete		125, 128/ 57
Products and services	No	Non-material	
Compliance	No	Non-material	
Transport	Complete		128/ -
Overall	No	Non-material	
LA			
Employment	Complete		111/ -
Relationship between workers and governance	No	Non-material	
Occupational health and safety	Complete		-/ 10
Training and education	Complete		110/ 12, 13
Diversity and equal opportunity	Complete		-/ 14, 15, 16

GRI / INDICATOR	Reported	Reason for omission	Page AR/ Indicators*
HR			
Procurement process	Complete		-/ 35, 44
Non-discrimination	Complete		-/ 16
Freedom of association	No	Non-material	
Child Labor	Complete		-/ 36
Forced/compulsory labor	Complete		53/ 36
Security Practices	Complete		-/ 36
Indigenous Rights	No	Non-material	
SO			
Community	Complete		98, 121/ 18
Corruption	Complete		41/ 55
Public Policies	Complete		-/ 40
Anti-competitive behavior	No	Non-material	
Compliance	No	Non-material	
PR			
Customer health and safety	Complete		-/ 6, 8
Product and service labeling	Complete		88, 109, 112, 116/ 5, 7, 39
Communication and marketing	Complete		-/ 9
Customer privacy	Complete		-/ 6, 7
Compliance	Complete		41/ 55
FS			
Product portfolio	Complete		53/ 37, 43, 48
Audits	Complete		-/ 45
Policies for the development and sale of financial products	Complete		85/ 49
Active participation	Complete		98/ 39, 46

Topic	GRI	Indicator	Reported	Reason for omission	Green Protocol	ISE	CDP	Global Compact	Page AR/ Indicators*
ASPECT: ECONOMIC PERFORMANCE									
Society	EC1	Direct economic value generated and distributed	Complete		-	-	-	-	DFs BRGAAP 4Q11 (page 23)
Management of Corporate Risks and Opportunities	EC2	Financial implications and other risks and opportunities due to climate changes	Complete		-	ECO 7.	2.1; 5.1; 6.1	7	The indicator Is deemed to be non-material, but the bank chose to account for it on pages 128/54
Internal Audience	EC3	Coverage of the pension plan obligations	No	Non-material	-	-	-	-	
Society	EC4	Significant financial assistance from government	Partial	Items left in blank will be deemed as non-material	-	-	-	-	The indicator Is deemed to be non-material but the bank chose to account for it on pages -/23
ASPECT: MARKET PRESENCE									
Internal Audience	EC5	Range of ratio of lowest wage compared to the local minimum wage	No	Non-material	-	-	-	-	
Suppliers	EC6	Policies, practices and proportion of spending on locally-based suppliers	Complete		PII - 4.; PII - 4.1	SOC 42.	-	-	The indicator Is deemed to be non-material but the bank chose to account for it on pages -/34
Internal Audience	EC7	Local employee hiring	No	Non-material	-	-	-	-	
ASPECT: INDIRECT ECONOMIC IMPACTS									
Society	EC8	Impact of investments in infrastructure provided for public benefit	Complete		-	-	-	-	24, 121/ 18, 23. No impact assessment studies were conducted previously to effecting investments in infrastructure
Society	EC9	Description of significant indirect economic impacts	No	Non-material	-	-	-	-	

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Topic	GRI	Indicator	Reported	Reason for omission	Green Protocol	ISE	CDP	Global Compact	Page AR/ Indicators*
ASPECT: MATERIALS									
Consumption of inputs in operations	EN1	Materials used by weight or volume	Complete		PIII - 6.	AMB-IF 15.1	-	8	The indicator Is deemed to be non-material but the bank chose to account for it on the website*
Consumption of inputs in operations	EN2	Percentage of recycled materials used	No	Non-material	-	-	-	-	
ASPECT: ENERGY									
Consumption of inputs in operations	EN3	Direct energy consumption by primary energy source	Complete		PIII - 6.	AMB-IF 15.1	12.2	8	The indicator Is deemed to be non-material but the bank chose to account for it on the website*
Consumption of inputs in operations	EN4	Indirect energy consumption breakdown by primary energy source	Complete		PIII - 6.	AMB-IF 15.1	12.2	8 and 9	The indicator Is deemed to be non-material but the bank chose to account for it on pages 129/- and on the website*
Consumption of inputs in operations	EN5	Energy saved due to conservation and efficiency improvements	Complete		PIII - 6.	AMB-IF 15.; AMB-IF 15.1	-	8	The indicator Is deemed to be non-material but the bank chose to account for it on pages 127/- and on the website*
Consumption of inputs in operations	EN6	Initiatives to provide energy-efficient products and services	No	Non-material	PIII - 6.; PIII - 9.	AMB-IF 15.; AMB-IF 15.1	-	-	
Consumption of inputs in operations	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Partial	Non-material	PIII - 6.; PIII - 9.	AMB-IF 15.; AMB-IF 15.1	-	-	The indicator Is deemed to be non-material but the bank chose to account for it on the website*
ASPECT: WATER									
Consumption of inputs in operations	EN8	Total water withdrawn by source	Complete		PIII - 6.	AMB-IF 15.1	-	8 and 9	The indicator Is deemed to be non-material but the bank chose to account for it on pages 127, 128/ - and on the website* For its water consumption the bank relies on a public utilities organization holding the local water and sewage concession
Environmental impact of other Bank operations	EN9	Water sources significantly affected by water withdrawal	No	Non-material	-	-	-	-	
Consumption of inputs in operations	EN10	Percentage and total volume of water recycled and reused	Complete		-	-	-	8	The indicator Is deemed to be non-material but the bank chose to account for it on pages 126/- and on the website*
ASPECT: BIODIVERSITY									
Environmental impact of other Bank operations	EN11	Location and size of the area owned	No	Non-material	-	-	-	-	
Environmental impact of other Bank operations	EN12	Significant impacts of activities, products and services on the biodiversity	No	Non-material	-	-	-	-	
Environmental impact of other Bank operations	EN13	Habitats protected or restored	No	Non-material	-	-	-	-	
Environmental impact of other Bank operations	EN14	Strategies for managing impacts on biodiversity	No	Non-material	-	-	-	-	
Environmental impact of other Bank operations	EN15	Number of IUCN red list species and other conservation lists	No	Non-material	-	-	-	-	
ASPECT: EMISSION, EFFLUENTS AND RESIDUES									
Climate Changes	EN16	Total direct and indirect emissions of greenhouse gases	Complete		-	CLI 9.	7.1; 8.2; 8.8a	8	The indicator is deemed to be non-material but the bank chose to account for it on pages 128/57

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Topic	GRI	Indicator	Reported	Reason for omission	Green Protocol	ISE	CDP	Global Compact	Page AR/ Indicators*
Climate Changes	EN17	Other relevant indirect emissions of greenhouse gases	Complete		-	CLI 9.	8.8a; 15.1; 15.3	8	The indicator Is deemed to be non-material but the bank chose to account for it on pages 128/57
Climate Changes	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Complete		PIII - 8.	CLI 11.	3.1	7, 8 e 9	The indicator Is deemed to be non-material but the bank chose to account for it on pages 128, 129/-
Climate Changes	EN19	Emissions of ozone-depleting substances	Complete		-	-	7.3	8	The indicator Is deemed to be non-material but the bank chose to account for it on pages -/57
Climate Changes	EN20	NOx, SOx and other significant air emissions	No	Non-material	-	-	-	-	
Residues	EN21	Total disposal of water, by quality and destination	No	Non-material	-	-	-	-	
Residues	EN22	Total residue weight per type and disposal method	Complete		PIII - 7.	AMB-IF 15.; AMB-IF 15.1	-	8	The indicator Is deemed to be non-material but the bank chose to account for it on the website*
Residues	EN23	Total number and volume of significant spills	No	Non-material	-	-	-	-	
Residues	EN24	Weight of hazardous waste transported	Complete		-	-	-	-	The indicator Is deemed to be non-material but the bank chose to account for it on the website*
Residues	EN25	Protection status and biodiversity indices of bodies of water and habitats	No	Non-material	-	-	-	-	
ASPECT: PRODUCTS AND SERVICES									
Environmental impact of other Bank operations	EN26	Initiatives to mitigate environmental impacts of products and services	Partial	Non-material	-	-	-	-	The indicator Is deemed to be non-material but the bank chose to account for it on pages 125, 126, 127, 128/-
Consumption of inputs in operations	EN27	Percentage of products and their packaging materials that are reclaimed per product category	No	Non-material	-	-	-	-	
ASPECT: COMPLIANCE									
Legal compliance	EN28	Monetary value of fines and total number of sanctions in connection of noncompliance with environmental laws and regulations	No	Non-material					
ASPECT: TRANSPORT									
Environmental impact of other Bank operations	EN29	Environmental impact in connection with the transport of products and workers	Complete		-	-	-	8	The indicator Is deemed to be non-material but the bank chose to account for it on pages 128/ 54, 57, 128/ 54, 57
ASPECT: OVERALL									
Climate Changes, Residues	EN30	Total investment and expenses incurred in environmental protection	No	Non-material	-	-	-	-	
ASPECT: EMPLOYMENT									
Internal Audience	LA1	Total workforce per employment type, employment contract and region	Complete	-	-	-	-	-	The indicator is deemed to be non-material but the bank chose to account for it on page -/ 16, 17
Internal Audience	LA2	Total number of employees and rate of employee turnover per age bracket, gender and region	Complete		-	-	-	6	111/ 17
Internal Audience	LA3	A comparison between benefits provided to full time and part time/temporary employees	No	Non-material	-	-	-	-	
ASPECT: LABOR/MANAGEMENT RELATIONS									
Internal Audience	LA4	Percentage of employees covered by the collective bargaining agreements	No	Non-material	-	-	-	-	
Internal Audience	LA5	A description of notices (terms and procedures)	No	Non-material	-	-	-	-	

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Topic	GRI	Indicator	Reported	Reason for omission	Green Protocol	ISE	CDP	Global Compact	Page AR/ Indicators*
ASPECT: OCCUPATIONAL HEALTH AND SAFETY									
Internal Audience	LA6	Percentage of employees represented in formal health and safety committees	Complete	-	-	-	-	1	-/ 11
Internal Audience	LA7	Rates of injury, occupational diseases, days lost by employees and contractors	Partial	Not monitored by contractors	-	-	-	1	-/ 10
Internal Audience	LA8	Education, prevention and risk control programs	Complete		-	-	-	1	-/ 10, 11
Internal Audience	LA9	Topics in connection with health and safety covered by agreements with unions	Complete		-	-	-	1	-/ 11
ASPECT: TRAINING AND EDUCATION									
Internal Audience	LA10	Average number of hours of training per year	Complete		PIV - 6.	-	-	6	110/ 13, 14
Internal Audience	LA11	Programs for competency management; continuous learning; retirement	Complete		-	SOC 6.	-	-	110/ 13, 14
Internal Audience	LA12	Percentage of employees receiving performance reviews	Complete		-	-	-	-	-/ 14
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY									
Internal Audience	LA13	Composition of top management and Board represented by group and gender	Partial	Not monitored by age bracket	-	SOC 6.; SOC 9.; SOC 24. a SOC 28.; SOC 30.; SOC 31.; SOC 35.; SOC 36.; SOC 40.; SOC 45.; SOC 45.1;	-	1 e 3	-/ 14, 15, 16
Internal Audience	LA14	Men/Women base salary ratio per employee category	Complete		-	-	-	1, 2 e 3	-/ 16
ASPECT: PROCUREMENT PROCESS									
Suppliers	HR1	Description and percentage of policies, guidelines to manage all aspects of human rights in investments	Complete		-	-	-	-	-/ 44
Suppliers	HR2	Suppliers are subject to evaluations on human rights	Complete		PIII - 4.; PIII - 4.1; PIII - 4.2	SOC 16.; SOC 16.1; SOC 41.; SOC 42.	-	1, 2, 3 e 4	The indicator is deemed to be non-material but the bank chose to account for it on page -/ 35
Internal Audience	HR3	Policies to evaluate and handle performance in human rights	Complete		PIV - 6.	-	-	-	-/ 13
ASPECT: NON DISCRIMINATION									
Clients, Suppliers, Internal Audience	HR4	Total number of incidents of discrimination and action taken	Complete		-	SOC 9.; SOC 16.1	-	1, 2 e 3	-/ 16, 34
ASPECT: FREEDOM OF ASSOCIATION									
Internal Audience	HR5	Freedom of association policy and extent of application	No	Non-material	-	-	-	-	
ASPECT: CHILD LABOR									
Suppliers	HR6	Action taken to contribute to the elimination of child labor	Complete		-	SOC 16.1; SOC 42.	-	1, 2 e 3	The indicator is deemed to be non-material but the bank chose to account for it on page -/ 36
ASPECT: FORCED/COMPULSORY LABOR									
Suppliers	HR7	Action taken to contribute to erradication of forced/compulsory labor	Complete		-	SOC 16.1; SOC 42.	-	1, 2 e 3	The indicator is deemed to be non-material but the bank chose to account for it on page -/ 36
ASPECT: SECURITY PRACTICES									
Suppliers, Internal Audience	HR8	Training policies in connection with human rights for security guards	Complete		-	-	-	-	The indicator is deemed to be non-material but the bank chose to account for it on page -/ 36
ASPECT: INDIGENOUS RIGHTS									
Society	HR9	Total number of cases of violation of indigenous rights and action taken	No	Non-material	-	-	-	-	
ASPECT: COMMUNITY									
Society	SO1	Programs and practices to assess and manage the impacts of operations in communities	Complete		-	SOC 14.; SOC 14.1		10	24/ 18

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Topic	GRI	Indicator	Reported	Reason for omission	Green Protocol	ISE	CDP	Global Compact	Page AR/ Indicators*
ASPECT: CORRUPTION									
Action against bribery and corruption	SO2	Units that underwent risk analyses in connection with corruption	Partial	Amount/% not monitored	-	-	-	-	The indicator is deemed to be non-material but the bank chose to account for it on page -/ 55
Action against bribery and corruption	SO3	Percentage of employees trained in anti-corruption policies and procedures	Complete		-	GER 16.; GER 16.1	-	10	-/ 13
Action against bribery and corruption	SO4	Action taken in response to incidents of corruption	Partial	Non-material	-	-	-	10	The indicator is deemed to be non-material but the bank chose to account for it on page -/ 55
ASPECT: PUBLIC POLICIES									
Government	SO5	Positions in connection with public policies	Complete		-	-	2.3	10	-/ 40
Government	SO6	Policy on financial contributions to political parties, politicians and entities	Complete		-	SOC 3.	-	-	No financial contributions to political parties were effected in 2011, a non-election year
ASPECT: ANTI-COMPETITIVE BEHAVIOR									
Legal compliance	SO7	Number of litigations alleging anti-competitive behavior	No	Non-material					
ASPECT: COMPLIANCE									
Legal compliance	SO8	Description of significant fines and total number of non-monetary sanctions	No	Non-material					
ASPECT: CUSTOMER HEALTH AND SAFETY									
Clients	PR1	Policy to ensure the customer's health and safety while using the product	Partial	Data is partially monitored	-	-	-	-	-/ 6, 7, 8, 9
Commitments, awards in sustainability and legal compliance	PR2	Incidents of non-compliance in connection with impacts caused by products and services	No	Non-material	-	-	-	-	
ASPECT: PRODUCT AND SERVICE LABELING									
Clients	PR3	Type of Information on products and services required in labeling procedures	Partial	Items left in blank will be deemed as non-applicable	PI - 8.; PIV - 15.	-	-	-	-/ 9
Commitments, awards in sustainability and legal compliance	PR4	Incidents of non-compliance in connection with the labeling of products and services	Complete		-	-	-	-	The indicator is deemed to be non-material but the bank chose to account for it on page -/ 55
Clients	PR5	Practices in connection with customer satisfaction, including survey results	Complete		PI - 5.; PI - 5.1; PI - 8.;	SOC 18. - SOC 20.; SOC 43.; SOC 44.	-	-	-/ 5, 6
ASPECT: COMMUNICATIONS AND MARKETING									
Commitments, awards in sustainability and legal compliance	PR6	Programs for adherence to laws, standards and voluntary codes	Complete		-	-	-	-	The indicator is deemed to be non-material but the bank chose to account for it on page -/ 9
Commitments, awards in sustainability and legal compliance	PR7	Incidents of non-compliance in connection to communications in products and services	Complete		-	-	-	-	The indicator is deemed to be non-material but the bank chose to account for it on page -/ 55
ASPECT: CUSTOMER PRIVACY									
Clients	PR8	Proven complaints in connection with the violation of customer privacy	Partial	Data is partially monitored	-	SOC 4.; SOC 17.	-	-	-/ 7
ASPECT: COMPLIANCE									
Legal compliance	PR9	Fines due to the noncompliance in the supply of products and provision of services	Complete		-	SOC 48.	-	-	The indicator is deemed to be non-material but the bank chose to account for it on page -/ 55

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Topic	GRI	Indicator	Reported	Reason for omission	Green Protocol	ISE	CDP	Global Compact	Page AR/ Indicators*
ASPECT: PRODUCT PORTFOLIO									
Socio-Environmental Risk; Dialogue with and Engagement of Stakeholders	FS1	Policies with specific environmental and social approach applied to business lines	Complete		PII - 1.; PII - 11.; PIV - 5.	AMB-IF 2.; AMB-IF 8.	-	-	-/ 43, 44
Socio-environment risk	FS2	Procedures to assess and classify environmental and social risks in business lines	Complete		PII - 10.; PII - 11.; PIV - 5.	AMB-IF 8.; AMB-IF 9.; AMB-IF 17.	-	-	51/ 43, 44, 45
Socio-environment risk	FS3	Processes used to monitor the implementation by the customer of environmental and social requirements included in agreements or transactions	Complete		-	-	-	-	-/ 43, 45
Internal Audience	FS4	Processes to improve employee competency in implementing environmental/social policies and procedures applied to business lines	Complete		-	AMB-IF 1.3	-	-	-/ 12, 13
Dialogue with and Engagement of Stakeholders	FS5	Interaction with clients/ initiatives/ business partners in connection with environmental and social risks and opportunities	Complete		PI - 9.; PIII - 4.2	AMB-IF 14.1	-	-	96, 115/ 34, 37, 38, 39
Socio-environmental Products	FS6	Percentage of business portfolio per region, per size (ex.: Micro/ small/medium/large-sized enterprises), per sector	Partial	Percentage not monitored	-	-	-	-	48, 61, 77/ -
Socio-environmental Products	FS7	Cash value of products and services created to provide a special social benefit for each business line, divided by purpose	Partial	Percentage not monitored	PI - 1.1	AMB-IF 14.1	-	-	86, 98, 101/ 47, 48
Socio-environmental Products	FS8	Cash value of products and services created to provide a special environmental benefit for each business line, divided by purpose	Partial	Percentage not monitored	PI - 1.1	AMB-IF 14.1	-	-	86, 101/ 48
ASPECT: AUDITS									
Socio-environment risk	FS9	Coverage and frequency of audits to assess environmental and social policies in place, including risk assessment procedures	Complete	-	-	-	-	-	-/ 45
ASPECT: ACTIVE PARTICIPATION									
Dialogue with and Engagement of Stakeholders	FS10	Percentage and number of firms In the bank's portfolio with which the bank interacted in environmental or social issues	Partial	Percentage not monitored	-	-	-	-	-/ 34, 37, 38, 39
Socio-environment risk	FS11	Percentage of assets subject of environmental/social screening, positive and negative	Partial	Percentage not monitored	PII - 17.	AMB-IF 3.; AMB-IF 6.	-	-	-/ 46
Commitments and awards in sustainability	FS12	Voting policies applied to environmental or social issues in stakes in which the respondent has voting rights or has an influence in votes	Complete	-	-	-	-	-	-/ 46
ASPECT: COMMUNITY									
Socio-environmental Products	FS13	Points of access in scarcely populated areas or low income areas per type	Complete		-	SOC 13.	-	-	24, 89, 98/ 47, 49
Clients	FS14	Initiatives to improve access to financial services by disabled persons	Complete		-	SOC 22.	-	-	-/ 8, 15
ASPECT: PRODUCT AND SERVICE LABELING									
Socio-environmental Products	FS15	Policies for the development and sale of financial products	Complete		PI - 1.	AMB-IF 1.; AMB-IF 14.	-	-	-/ 49
Clients	FS16	Initiatives to improve financial education per type of beneficiary	Complete		PI - 9.	AMB-IF 14.1; SOC 21.	-	-	114/ 7, 8, 13, 39

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0800 702 3535 (Other Locations)
24 hours a day, 7 days a week.
(Special line for those with hearing and speech impairments)

For complaints, compliments or cancellations, you may also call the Consumer Support Service – SAC:

0800 762 7777
24 hours a day, 7 days a week.
(Special line for those with hearing and speech impairments)

If you are not satisfied with the solution provided by the bank, please call the Ombudsman Service:

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Infographic: Alexandre Schadeck (pages 42 and 43) and Jean Pierre Forrer Filho (pages 86, 87, 126 and 127)