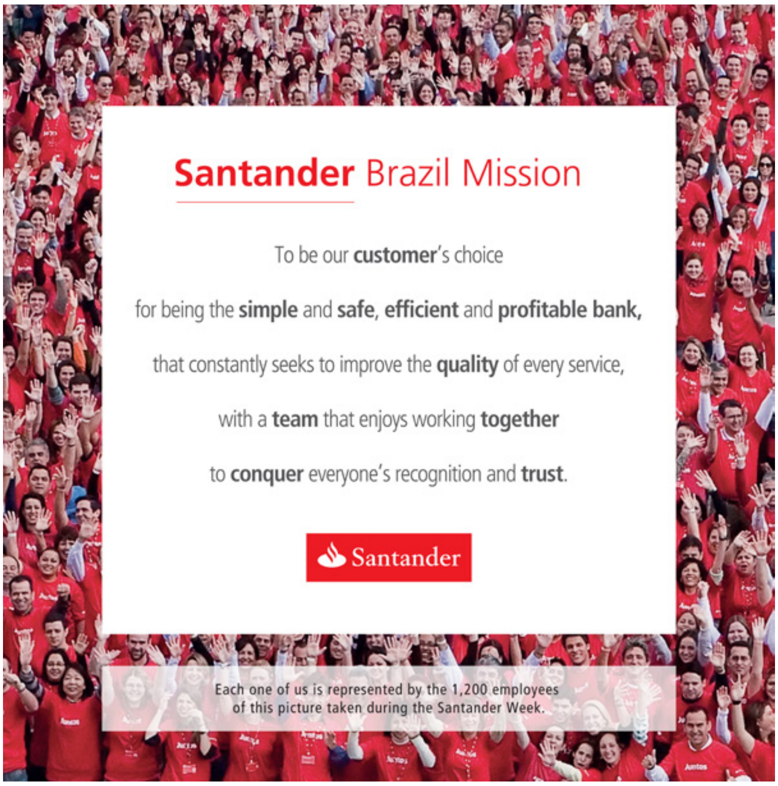
Santander

2012 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
Each one of us is represented by the 1,200 employees
of this picture taken during the Santander Week.

Santander

GRI INDICATOR – The information related to GRI (Global Reporting Initiative) performance indicators is included at the end of each section.

KEY INDICATORS

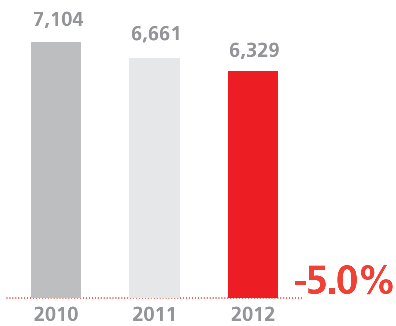
This Annual Report consolidates a change adopted by Santander Brazil in how the bank discloses its financial results to the market. From the IPO held in 2009 up to the end of 2011, the bank reported its results in accordance with the International Financial Reporting Standards (IFRS). Although this is a global accounting standard, we realized that the main reference in the publication of the results of Brazilian banks was still the local standard, the BR GAAP. As a consequence, we decided to adapt our reports to meet the requirements of the investor community. Since early 2012, we have structured our reporting to the market using the Brazilian standard. However, we continue to publish our results in accordance with the IFRS standard. The full financial statements in BR GAAP for 2012 are available on the website www.santander.com.br/ri.

Another change is the inclusion of social and environmental information in this section. This new feature underlines the importance of sustainability and our relationship with all stakeholders in the strategy and management of our operation.

The sustainability indicators section is also available at www.santander.com.br/ri.

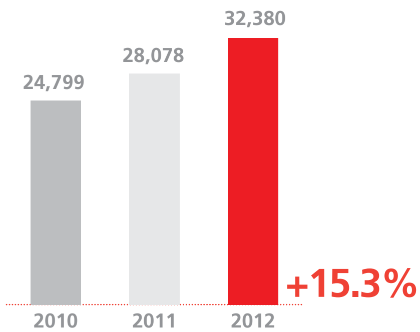
MANAGERIAL NET PROFIT

(R$ million)

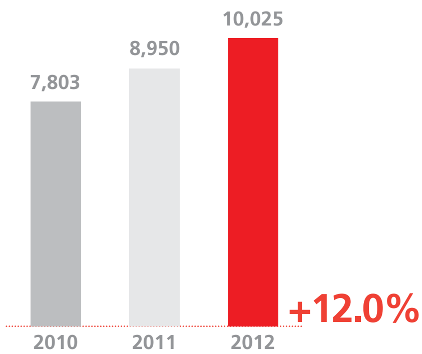


FINANCIAL INDICATORS

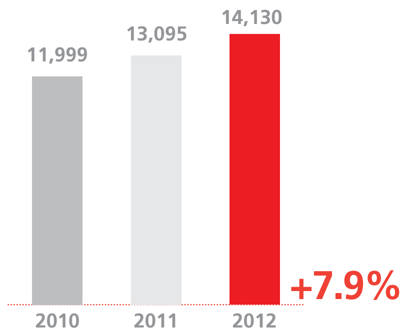
NET INTEREST INCOME
(R$ million)



FEE AND COMISSION INCOME
(R$ million)

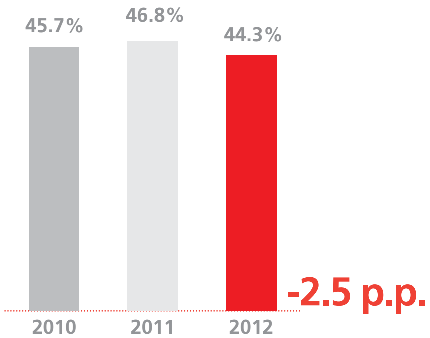


ADMINISTRATIVE AND PERSONNEL EXPENSES[1]
(R$ million)

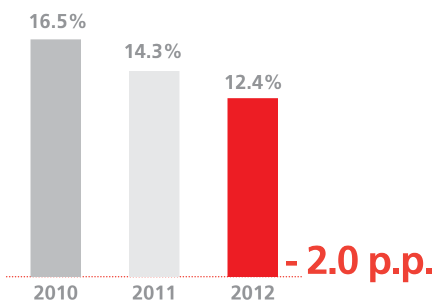


[1] Does not consider amortization and depreciation and includes Profit Sharing

EFFICIENCY RATIO

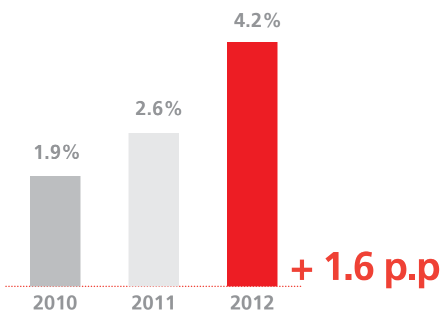


ROAE[2]



[2] Return on average equity excluding goodwill.

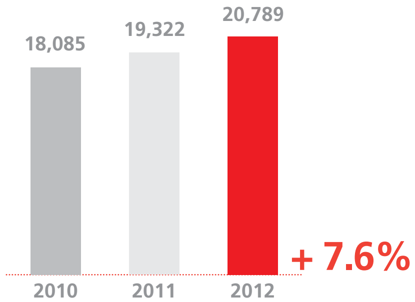
SOCIAL AND CULTURAL INVESTMENT ON NET INCOME



CLIENT INDICATORS

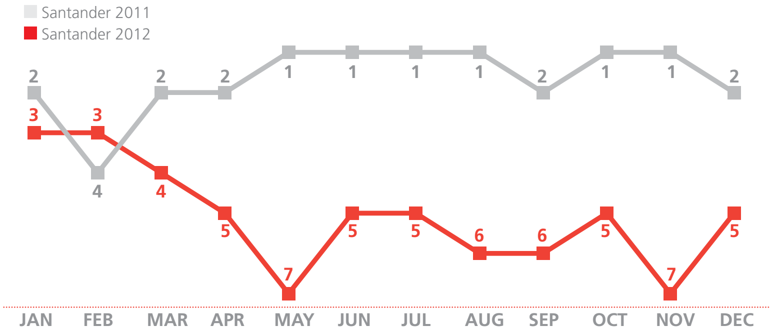
TOTAL CURRENT ACCOUNTS

(in thousands)



*RANKING OF COMPLAINTS FILED WITH THE CENTRAL BANK**

Santander monthly position

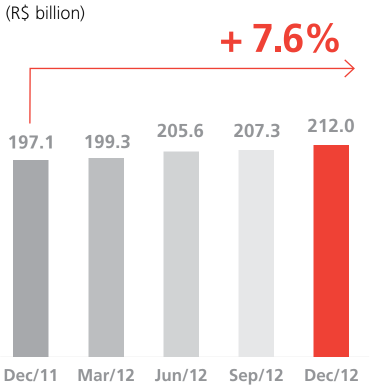


*1st place represents the bank with the highest number of complaints per 100,000 clients

CREDIT INDICATORS

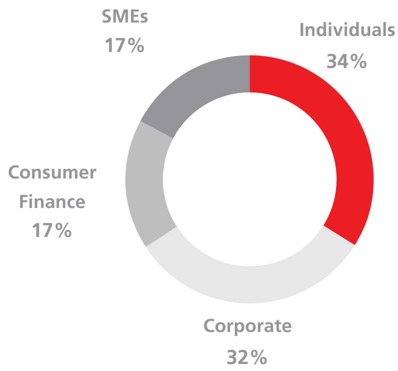
PERFORMANCE OF LOAN PORTFOLIO

(R$ billion)



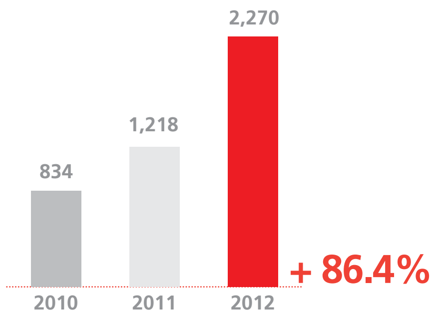
BREAKDOWN OF LOAN PORTFOLIO

Dec/2012



SOCIAL AND ENVIRONMENTAL FINANCING (INDIVIDUALS + CORPORATE)

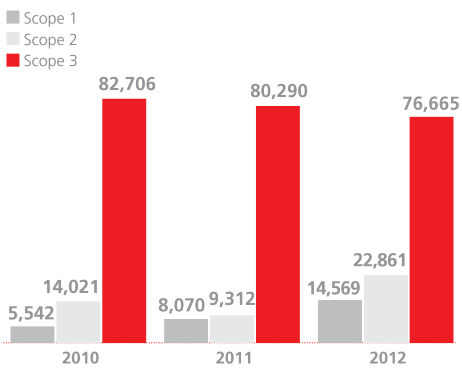
(R$ milhões)



ENVIRONMENTAL AND SOCIAL INDICATORS

*CO_2 EMISSIONS

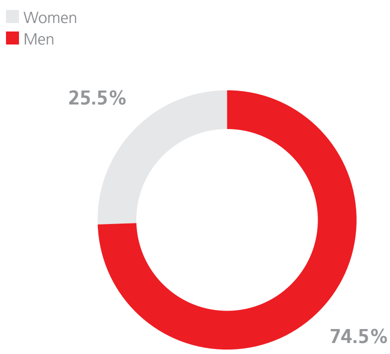
(mT)



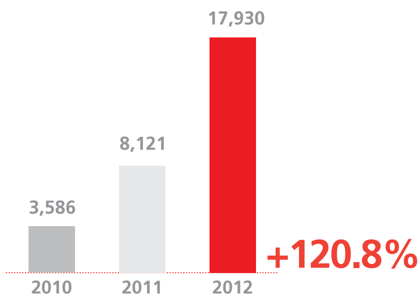
Scope 1: refrigerant gases, generators and fleet of vehicles
Scope 2: purchase of electricity
Scope 3: air travel, organic waste with third-parties, spent battery collectors (papa-pilhas), power consumption at third-party premises, and transport of valuables and chartered buses

*Amended in June 2013

WOMEN IN LEADERSHIP POSITIONS



UNIVERSITIES – TOTAL NUMBER OF SCHOLARSHIPS GRANTED



MANAGERIAL ANALYSIS[1] - BR GAAP	2012	2011	VAR, 2012X2011
RESULTS (R$ million)			
Net Interest Income	32,380	28,078	15.3%
Fee and Commission Income	10,025	8,950	12.0%
Allowance for loan losses	(13,223)	(9,458)	39.8%
General expenses[2]	(15,821)	(14,430)	9.6%
Managerial net profit[3]	**6,329**	**6,661**	**-5.0%**
Accounting net profit	**2,692**	**3,557**	**-24.3%**
BALANCE SHEET (R$ million)			
Total assets	447,353	423,726	5.6%
Securities	76,832	74,616	3.0%
Loan portfolio	211,959	197,062	7.6%
Individuals	71,287	65,620	8.6%
Consumer finance	36,806	35,593	3.4%
SMEs	36,487	31,868	14.5%
Corporate	67,379	63,981	5.3%
Extended credit portfolio[4]	227,392	210,522	8.0%
Funding from clients[5]	199,193	179,831	10.8%
Equity[6]	52,932	49,004	8.0%
PERFORMANCE INDICATORS (%)			
Return on average equity excluding goodwill[6] - annualized	12.4%	14.3%	-2.0 p.p.
Return on average asset excluding goodwill[6] - annualized	1.5%	1.7%	-0.2 p.p.
Efficiency ratio[7]	44.3%	46.8%	-2.5 p.p.
Recurrence ratio[8]	63.4%	62.0%	1.3 p.p.
BIS Ratio[9]	20.8%	24.8%	-4.0 p.p.
PORTFOLIO QUALITY INDICATORS (%)			
Delinquency (over 90 days)	5.5%	4.5%	1.0 p.p.
Delinquency (over 60 days)	6.6%	5.5%	1.1 p.p.
Coverage ratio (over 90 days)	125.6%	136.8%	-11.2 p.p.
OTHER DATA			
Assets Under Management - AUM[10] (R$ million)	134,935	128,397	5.1%
Number of credit and debit cards (in thousands)	48,362	41,699	16.0%
Branches	2,407	2,355	52
PABs (mini branches)	1,381	1,420	(39)
ATMs	17,793	18,419	(626)
Total customers (in thousands)	27,315	25,299	2,017
Total current accounts[11] (in thousands)	20,789	19,322	7.6%
Employees	53,992	54,564	(572)
SOCIAL AND ENVIRONMENTAL INDICATORS			
Women in managerial positions	25.5%	24.5%	-1.0 p.p
Social/environmental financing (individual + corporate) (R$ million)	2,270	1,218	86.4%
Total social and cultural investment (R$ in thousands)	113,828	94,217	20.8%
Total number of scholarships granted	17,930	8,121	120.8%
*CO_2 (mT) emissions[12]			
Scope 1	14,569	8,070	80.5%
Scope 2	22,861	9,312	145.5%
Scope 3	76,665	80,290	(4.5%)

[1] Excludes 100% of the goodwill amortization expense and the tax hedge effect, and considers the reclassification of credit recovery, as mentioned on page 28.
[2] Administrative Expenses exclude 100% of the goodwill amortization expense, from the acquisition of Banco Real and personnel expenses includes profit sharing.
[3] Managerial net profit corresponds to the accounting net profit + 100% of reversal of goodwill amortization expense ocurred in the period. The expense of goodwill amortization in 4Q12 was R$ 909 million, in 4Q11 was R$ 776 million and in 3Q12 was R$ 909 million.
[4] Includes other Credit Risk Transactions with clients ("Debenture", FIDC, CRI, Floating Rate Notes, Promissory Notes and Acquiring activities related assets).
[5] Includes savings, demand deposits, time deposits, debenture, LCA, LCI and Treasury Notes (Letras Financeiras - LFT).
[6] Excludes 100% of the goodwill from the acquisition of Banco Real, that in 4Q12 was R$ 12,937 million, 4Q11 R$ 16,574 million and 3Q12 R$ 13,847 million.
[7] Efficiency Ratio: General Expenses / (Net Interest Income + Fee and Commission Income + Tax Expenses + Other Operating Income/Expense)
[8] Recurrence: Fee and Commission Income / General expenses.
[9] BIS Ratio as of Brazilian Central Bank. Excluding 100% of the goodwill: 17.7% on Dec/12, 20.2% on Dec/11, 18.6% on Sep/12.
[10] According to Anbima (Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais) criterion.
[11] Total current account according to the Brazilian Central Bank.
[12] See explanations on page 73 of the Sustainability Indicator Section (www.santander.com.br/ri).

*Amended in June 2013

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

WE HAVE CONSISTENT CORPORATE GOVERNANCE AND FOLLOW A CLEARLY DEFINED PATH, WHICH WILL BE OF PRIME IMPORTANCE IN ORDER TO DEAL WITH THE MAJOR CHANGES BRAZIL WILL CONTINUE TO UNDERGO OVER THE NEXT FEW YEARS.

Exceptional factors involving the entire business community affected the Brazilian economy in 2012. Specifically, the sector felt the after-effects of the reduction in the interest rate, the depreciation of the Real, a modest increase in GDP, and a drop in investments. In addition to these factors, the low unemployment rate, a healthier consumer market, growth in real income, and a wider range of credit options had a considerable impact. The environment abroad began the year under a cloud of volatility, particularly the Eurozone, and only showed more positive signs of recovery in late 2012.

All these ingredients had a profound effect and served to spur us on to strive for high performance levels in relation to strategic execution. Indeed, the strategy developed in line with the Mission of Banco Santander in Brazil—placing a greater focus on the client's viewpoint—was vital in coming through 2012 with the clear understanding that the adjustments made this year will make an even greater contribution to our growth in the future.

We have made significant progress in the three pillars which sustain a company's long-term development: governance, strategy, and execution.

In governance, the Board of Directors and the Senior Management have been working together more closely, aligning goals in relation to the Mission, long-term planning, and ongoing development. All the committees of the Board of Directors began to fully function, including the Risk Committee, a key tool in asset protection, and the Committee of Corporate Governance and Sustainability, an essential instrument that emphasizes the importance of this topic for the continuity of our business. Along with the existing Audit Committee and the Compensation and Appointment Committee, these committees provide support and additional resources to our Board of Directors.

This year also marked the first self-assessment of the Board of Directors, in which all the members took part. The work was conducted with the support of an independent consulting firm. The findings and recommendations arising from it are already in evidence and will have long-lasting positive effects.

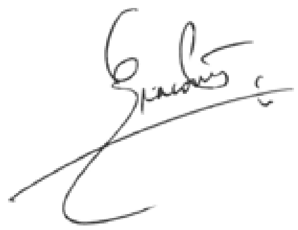
With regard to strategy, we are increasingly convinced that we are on the right track by streamlining our services and improving our customer experience. By doing so, we managed to acquire over 1.4 million new checking account clients and advanced in the fulfillment of our mission.

This has been shown in many different ways, from our contribution to the increased use of banks and financial inclusion, promoted by the largest private microcredit operation in the country, to investment in renewable energy sources such as wind farms and support for education with Santander Universidades, the most comprehensive corporate program for the promotion of higher education in Brazil.

Finally, we have also progressed in the area of execution, above all by investing in people. We allocated R$108 million to training activities. The total amount invested represents a 13% increase over the previous year.

It is easy to see that enhanced execution, combined with our innovation-oriented DNA, robust systems, streamlined processes, and qualified professionals, gave rise to improved services and client perception – an achievement which is essential for business and the fulfillment of our mission.

The scenario for the future is more encouraging and promises greater stability and predictability. I am confident that we have consistent corporate governance, a consolidated strategy, and a clearly defined path to follow. This will be vital in order to accompany and respond to the major changes Brazilian society requires and which the country will continue to undergo in the coming years. 1.1



Celso Clemente Giacometti
Chairman of the Board of Directors

São Paulo, April 2013.

MESSAGE FROM THE CEO

"IN 2012, WE LAID THE FOUNDATIONS WHICH WILL SUPPORT GROWTH OVER THE NEXT FEW YEARS."

FEATURING MORE ROBUST SYSTEMS AND A VALUE-ADDED BUSINESS OFFERING, WE ARE READY TO MARCH FORWARD IN 2013

The year 2012 was particularly challenging for the banking sector in Brazil. The international economic scenario and the major transformation process underway in the National Financial System, characterized by the sharp reduction in the SELIC interest rate, brought investors, savers, borrowers, and banks face-to-face with a new reality.

As far as Santander Brazil is concerned, this scenario, although complex, is an opportunity and an incentive to enhance our processes and to strive for the main objective of our mission—being preferred by the client because we are a streamlined, safe, efficient, and profitable bank.

In the first year after the implementation of the new mission, we deployed around 1,300 technological solutions, achieving greater efficiency and agility for a number of services. This effort resulted in clearly defined benefits for the client, described throughout this report.

In addition to the technological changes in 2012, other projects were developed. The Bank's new Data Processing Center (CPD) was one of the main examples of investment in technology. Built in Campinas, approximately 100 kilometers (63 miles) from São Paulo, it is one of the most modern in the country and places Santander at a new and unparalleled level of systems.

Today, we provide faster, more streamlined services and more robust systems. Thus, we have laid the foundations which will support growth over the next few years. This growth can be seen by the increase in our client base. In 2012 alone, we increased the number of checking accounts in our operation by 1.4 million.

We made all these improvements and invested in infrastructure without losing focus on our day-to-day business, which enabled us to achieve balanced financial results within an extremely demanding scenario. We continued to expand our business activities throughout the year, as reflected by the 14.5% increase in revenues, and maintained a healthy capital base, illustrated by the Basel index of 20.8%.

We also paid particular attention to another issue extremely relevant to the bank: sustainable development. We created a new approach to this topic, details of which follow later in this report, and we further strengthened the relationship between business and sustainability in our operations. Furthermore, we participated in Rio+20, an extremely important global event on sustainability, and on that occasion we reaffirmed our commitment to the principles of the United Nations (UN) Global Compact by publishing our social/environmental goals.

We now possess more robust systems and a sustainable value-added business offering. This is why we are confident and ready to march forward in 2013 and to fulfill our mission of becoming the client's bank of choice. 1.1

Marcial Angel Portela Alvarez
CEO

São Paulo, April 2013.

CORPORATE PROFILE

INVESTING HEAVILY IN BRAZIL

WE ARE PRESENT THROUGHOUT THE COUNTRY WITH A PORTFOLIO OF 20.8 MILLION CURRENT ACCOUNTS AND A NETWORK OF 3,788 BRANCHES AND PABS (MINI BRANCHES)

Santander Brazil began operations in 1982 and is now the third largest private bank in the country. At the close of 2012 the bank amassed total assets of R$ 447.4 billion and a portfolio of 20.8 million checking accounts. 2.1 2.8

Present throughout Brazil, the bank boasts a robust infrastructure composed of 2,407 branches; 1,381 PABs (mini branches) and around 18,000 ATMs.

We focus on retail operations, but Santander is a universal bank and also operates in the wholesale, third-party asset management, and insurance sectors. Such a wide-reaching operation requires the support of a solid team, and ours totaled around 54,000 employees at the turn of the year. 2.2 2.7 2.8

As the biggest international financial conglomerate in the country, we also operate in the capital market. Our common shares, preferred shares, and units are listed on BM&FBOVESPA under ticker codes SANB3, SANB4 and SANB11, respectively, while our American Depositary Receipts (ADR) are traded on the NYSE under ticker code BSBR.

In 2012, Santander Brazil, for the third year running, was the unit with the largest share in Grupo Santander's global results[1], with 26%.

We are committed to sustainability and increasingly strive to promote inclusive and environmentally responsible business. We base our activities on three topics that are key for the country's development agenda: social and financial inclusion, education, and social/environmental business.

Our mission is to be the client's bank of choice while being a streamlined, efficient, safe, and profitable bank.

[1] Operating results

GLOBAL CAPACITY

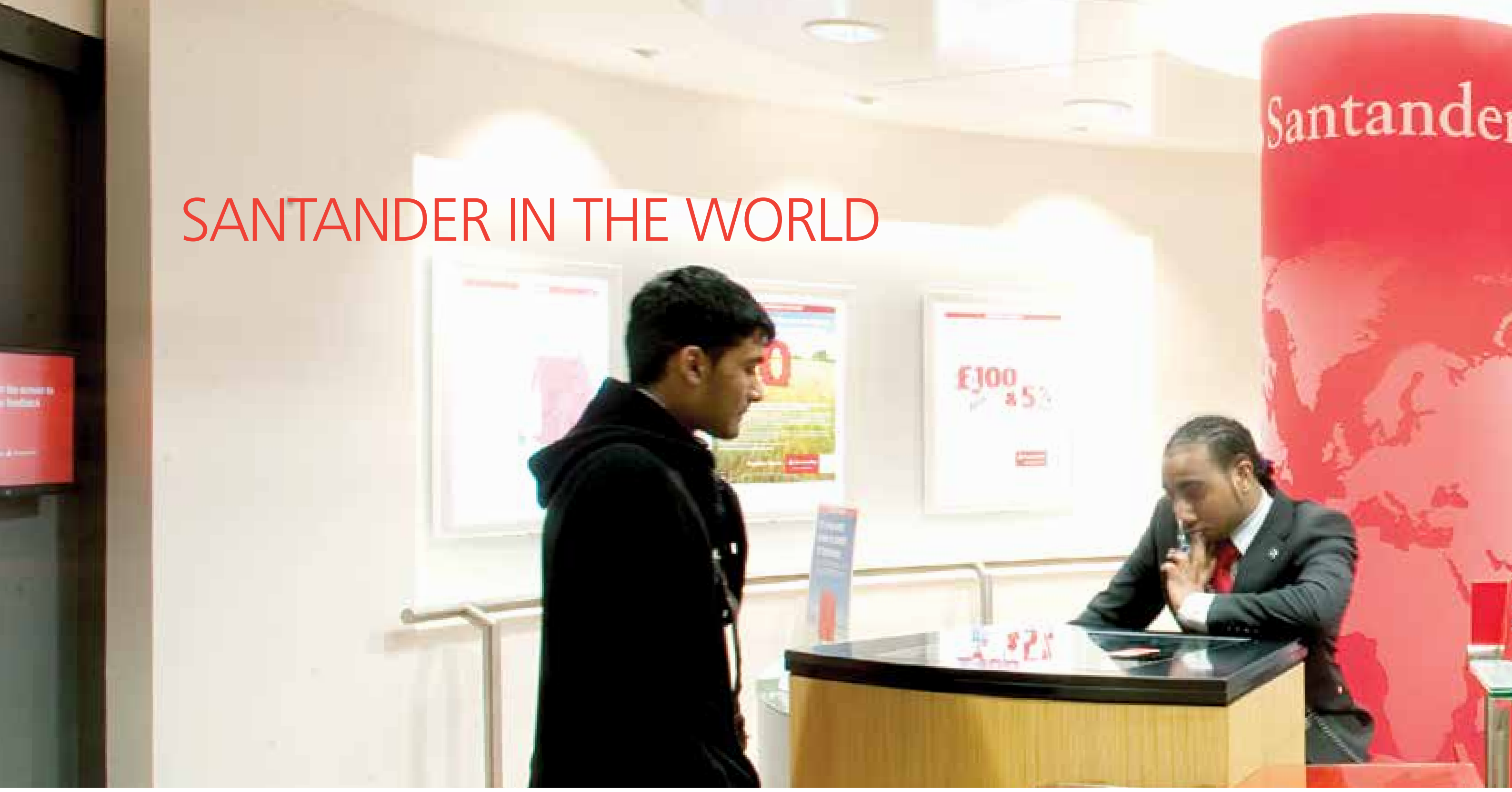
With its 155 year history, the Grupo Santander is the number one financial conglomerate in the Eurozone and in Latin America in terms of market cap. With operations established in 10 key markets in Europe and the Americas, Grupo Santander has over 3 million shareholders and serves over 100 million clients at its 14,392 branches, with a workforce of over 185,000.

In 2012, despite the prevailing economic crisis, the Grupo Santander increased its operating profit by 1.6% before provisions for non-performing loans, totaling 23.559 billion euros. This figure places Santander among the three biggest international banks. The Group closed 2012 with a core capital of 10.33%, passing the most rigorous financial soundness tests required by the European Banking Authority (EBA).

In recognition of the work executed in 2012, Santander was elected by the magazine Euromoney as "Best Bank in the World" for the third time in seven years. 2.10

The Group's international structure is based on a model of autonomous subsidiaries in terms of capital and liquidity, maintaining the characteristics and regulatory compliance with the markets in which they operate, thereby avoiding the risk of contagion among the units.

SANTANDER IN THE WORLD



GRUPO SANTANDER RESULTS

GRUPO SANTANDER ANNOUNCED A NET INCOME OF EUR 2.2 BILLION IN 2012, AFTER STRENGTHENING ITS BALANCE SHEET WITH EUR 18.8 BILLION IN PROVISIONS AND REDUCING ITS EXPOSURE TO THE REAL ESTATE MARKET IN SPAIN.

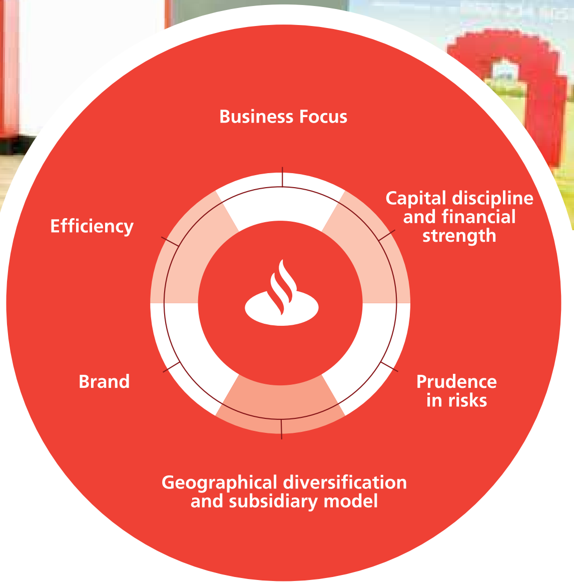
HIGHLIGHTS OF 2012 1.1

Grupo Santander operated in an economic scenario of crisis in developed markets, with a slight recovery in emerging markets and uncertainties in the debt and equity markets, particularly in Europe. In this scenario:

- Operating profit before provisions for non-performing loans registered an increase of 1.6%, establishing a new record of 23.6 billion euros.
- 18.8 billion euros were allocated to provisions (12.7 billion euros as provisions for non-performing loans and 6.1 billion euros for exposure to the real estate market in Spain).
- Santander achieved 100% of the reserves for the exposure to the real-estate market, in accordance with the new regulations in force in Spain.
- Santander proved to be one of the most efficient banks in the world.
- The bank's core capital index rose to 10.33% (in accordance with Basel II) and liquidity levels remained healthy.

RECURRING REVENUE

The Grupo Santander business model as a commercial bank, combined with its geographic diversification, helps the bank maintain its remarkable growth in revenues. Gross margin increased by 2.2%, boosted by commercial revenue resulting from financial intermediation and revenue from commissions and insurance.



Credit operations in Spain and Portugal fell as a result of poor demand, partially offset by growth in Brazil, Mexico, Chile, Poland, and the U.S. and credit operations for SMEs in the United Kingdom. Deposits remained fairly stable, with the EUR 22 billion funding in Spain as the highlight.

There was a 2.9% increase in costs due to investments in technology and the branch networks in Latin America and the U.S. Costs continued to fall in countries such as Spain and the UK.

The Group's efficiency ratio registered 46.1% at the close of 2012, one of the best among international banks.

The positive performance of revenues, combined with cost control, resulted in operating profit before provisions for non-performing loans increasing by 1.6% to a total of 23.6 billion euros.

PROVISIONS AND LOSSES 1.1

Provisions for credit losses in 2012 amounted to 12.7 billion euros, a result of the increase in the number of loans and the high default rate in countries such as Spain, Brazil, and Chile.

The bank reported a net operating profit of 5.2 billion euros after provisions for losses with credit, taxes, and minority interest. After 1.1 billion euros in net capital gains over the year (largely due to the sale of divisions in Colombia, in addition to the reinsurance and life insurance portfolio in Spain and Portugal) and the deduction of 4.1 billion euros in special net provisions for exposure to the real estate market in Spain, book income came to 2.2 billion euros, a drop of 59% for the year.

STRENGTH OF THE BALANCE SHEET

In 2012, Grupo Santander substantially increased its capital, and met the new requirements of the European Central Bank prior to the deadlines. The core capital ratio rose 31 basis points to 10.33%, in accordance with the Basel II criteria.

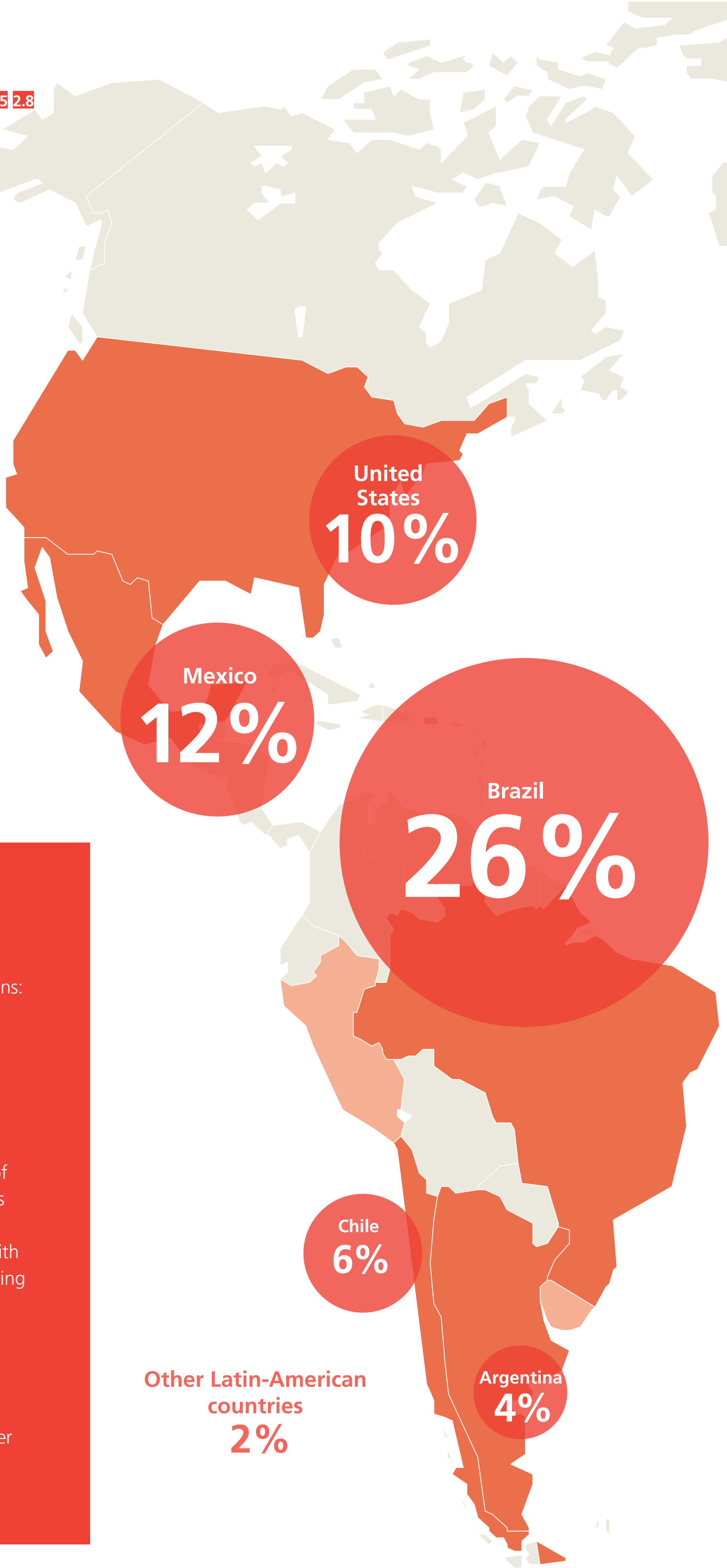
Over the year, international authorities such as the International Monetary Fund (IMF) and stress tests conducted by independent consultants confirmed the soundness of Banco Santander's balance sheet, despite the considerably adverse scenario. The Group enjoys a comfortable liquidity position and a loan-to-deposit ratio of 113% (117% in 2011). Despite the concerns in the European debt markets, the Group maintained a high issuance capacity, as illustrated by the medium and long-term debt of 43 billion euros and the securitizations issued in the markets in 2012.

The non-performing loan ratio rose to 4.5% and remained below the average for the sector in most of the countries where Santander operates. The coverage ratio rose to 73%. Exposure to the real estate market in Spain, net of provisions, dropped by 12.4 billion euros in 2012, largely due to the decrease in loans in the sector and the repossession of real estate property.

GEOGRAPHICAL DIVERSIFICATION 2.5 2.8

Grupo Santander has balanced geographical diversification between mature and emerging markets, which accounted for 45% and 55% of profits, respectively, in 2012.

The Bank concentrates on 10 core markets: Spain, Germany, Poland, Portugal, the UK, Brazil, Mexico, Chile, Argentina, and the U.S. The global areas also develop products that are distributed in the Group's business networks and cater to global clients.



SUSTAINABILITY

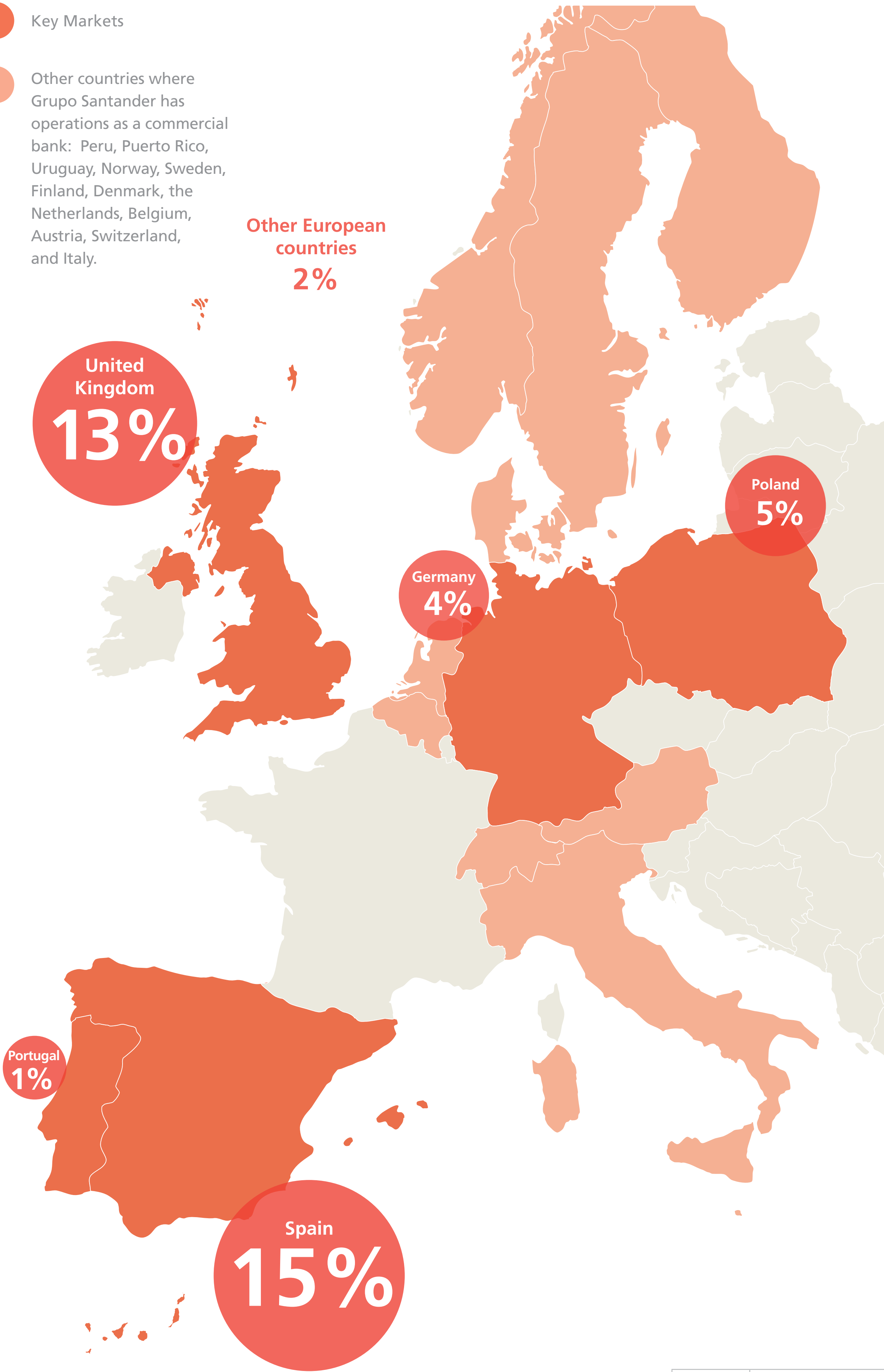
In the view of Grupo Santander, being sustainable means:

- Introducing ethical, social, and environmental criteria to the business
- Having solid corporate governance
- Combining long-term vision with an environment of change while taking full advantage of opportunities
- Maintaining stable and long-lasting relationships with the Group's stakeholders as a means of understanding their expectations and meeting their needs
- Contributing to the social and economic progress of the communities where the bank operates

To learn more about Grupo Santander initiatives in other countries, please visit www.santander.com.

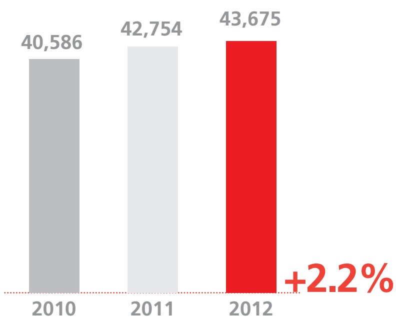
Key Markets

Other countries where Grupo Santander has operations as a commercial bank: Peru, Puerto Rico, Uruguay, Norway, Sweden, Finland, Denmark, the Netherlands, Belgium, Austria, Switzerland, and Italy.

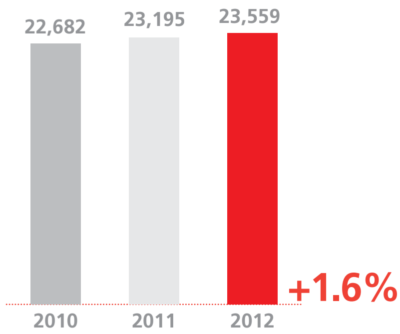


GRUPO SANTANDER REGISTERED A NET PROFIT OF 2.2 BILLION EUROS IN 2012 AND ALLOCATED 18.8 BILLION EUROS TO PROVISIONS, REINFORCING SOLVENCY AND MAINTAINING SHAREHOLDER COMPENSATION AT 0.60 EUROS PER SHARE FOR THE FOURTH CONSECUTIVE YEAR.

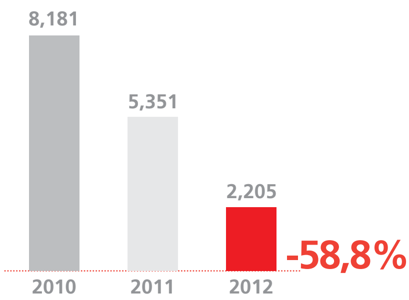
GROSS MARGIN
(EUR million)



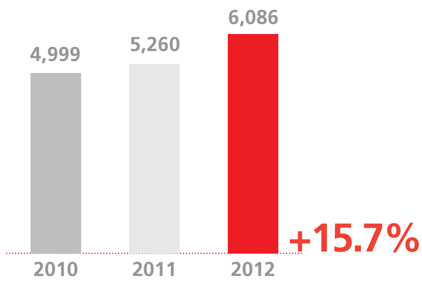
PRE-PROVISION PROFIT (NET OPERATING INCOME)
(EUR million)



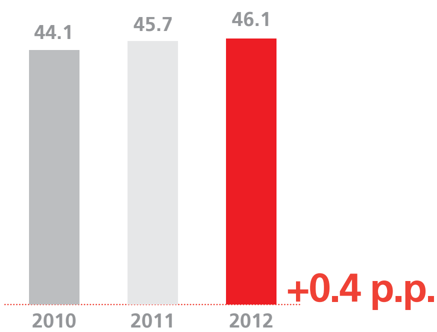
ATTRIBUTABLE PROFIT[5]
(EUR million)



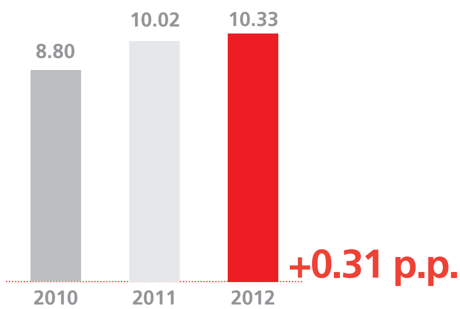
TOTAL DIVIDEND PAYOUT
(EUR million)



EFFICIENCY
(%)



CORE CAPITAL (BASEL II CRITERION)
(%)



[5] Before the impact of provisions for the real estate market, net capital gains: 5.2 billion euros (-25.2%).

INCOME STATEMENT (IN MILLIONS OF EUROS) 2.8	2012	2011	CHANGE. % 2012X2011	2010
Total assets	1.269.628	1.251.525	1,4	1.217.501
Customer loans (net)	720.483	750.100	(3,9)	724.154
Customer deposits	626.639	632.533	(0,9)	616.376
Managed customer funds	968.987	984.353	(1,6)	985.269
Shareholder's funds [1]	80.821	80.400	0,5	75.273
Total managed funds	1.387.769	1.382.980	0,3	1.362.289
Net interest income	30.147	29.110	3,6	27.728
Gross income	43.675	42.754	2,2	40.586
Pre-provision profit	23.559	23.195	1,6	22.682
Profit from continuing operations	6.148	7.812	(21,3)	9.077
Attributable profit to the Group	2.205	5.351	(58,8)	8.181

PERFORMANCE INDICATORS (%)				
Efficiency with amortization	46,1	45,7		44,1
ROE	2,80	7,14		11,80
ROTE[2]	4,11	10,81		18,11
ROA	0,24	0,50		0,76
RoRWA	0,55	1,06		1,54
Core capital (BIS II)	10,33	10,02		8,80
Tier I	11,17	11,01		10,02
Basel II Ratio (according to Basel II)	13,09	13,56		13,11
Loan-to-deposit ratio[3]	113	117		117
NPL ratio	4,54	3,89		3,55
NPL coverage	72,6	61,4		72,7

SHARE AND MARKET CAPITALIZATION				
Number of shares in circulation (million)[4]	10.321	8.909	15,9	8.329
Share price (euros)	6,100	5,870	3,9	7,928
Market capitalization (million euros)	62.959	50.290	25,2	66.033
Net equity per share (euros) [1]	7,87	8,59		8,58
Price of share/Net equity per share (x)	0,78	0,68		0,92
P/E (x)	27,02	9,75		8,42
Diluted EPS (euros)	0,23	0,60	(62,5)	0,94
Remuneration per share (euros)	0,60	0,60		0,60
Total shareholder return (million euros)	6.086	5.260	15,7	4.999

OTHER DATA				
Number of shareholders	3.296.270	3.293.537	0,1	3.202.324
Number of employees	186.763	189.766	(1,6)	175.042
Number of branches	14.392	14.756	(2,5)	14.082

INFORMATION ON PROFIT				
Net income	5.251	7.021	(25,2)	8.181
EPS (euros)	0,54	0,79	(31,9)	0,94
ROE	6,66	9,37		11,80
ROTE	9,80	14,18		18,11
ROA	0,48	0,63		0,76
RoRWA	1,08	1,35		1,54
P/E (x)	11,34	7,43		8,42

[1] In 2012, scrip dividend for May 2013 (estimated).
[2] Return on tangible capital.
[3] Includes retail commercial paper in Spain.
[4] In 2011, includes shares issued to meet the exchange of preferred shares in December 2011.

STRATEGY AND MANAGEMENT

CLIENT PREFERENCE

THE SIMPLIFICATION OF OUR STRUCTURE AND A ROBUST TECHNOLOGICAL PLATFORM HAVE ENABLED US TO PROVIDE MORE EFFICIENT SERVICES AND AN ENHANCED CLIENT EXPERIENCE 1.2 4.8

One of Santander Brazil's focal points in 2012 was to render its processes more efficient as a means of ensuring the client's experience with the bank became simpler and faster. These efforts were coordinated by our Strategic Planning Department, Santander 3.1 (see table below).

In 12 months, we implemented around 1,300 technological solutions, improved processes, and increased the autonomy of the customer service network.

This enormous task, with a focus on efficiency, affected the end client in several ways and contributed to improved customer satisfaction levels.

Among other improvements, the average time taken by a corporate client to open an account was reduced from 4 hours and 40 minutes to 40 minutes, a reduction of 85.8%.

The same streamlining occurred with the hiring of collection agreements for small and medium enterprises (SMEs), which used to take a week on average and are now concluded on the same day.

In addition to being the best bank in terms of quality of service, supported by the strength of our technological platform, our strategic priorities are based on three other pillars:

- to strengthen business in the key sectors, such as small and medium enterprises, acquirer business, credit cards, real estate loans, and consumer financing (particularly vehicle financing)
- to continue creating and strengthening the Santander brand
- to align growth with prudent risk management.

INTEGRATED MANAGEMENT, IMPECCABLE EXECUTION

Santander 3.1 involved over a thousand people from all areas of the bank, with the support of the CEO and the Executive Committee. All these areas worked as one to put Santander's strategic priorities into operation in an impeccable manner. The engagement of the team was complete, with personnel from all areas being assigned exclusively to the project. The major challenge with a project of this size was to maintain the bank's everyday operations while seeking customer satisfaction.

The project's strategic guidelines consisted of consolidating Santander's operational base, taking full advantage of the fact that Santander is a global bank, dynamic strategic repositioning in target markets, improving strategic positioning, customer relations in other markets, and adding value to the brand.

We invested R$ 250.3 million in technology in this project and an additional R$ 61.3 million in general and personnel expenses. Over 322 technological projects were executed, and the work required the full-time effort of 24 project managers.

Integrated accounts, unified corporate customer service, improvements in real estate business flows, and mobile banking are some of the tangible results of the 13 fronts covered by Santander 3.1.

OUR MISSION

One of our priorities in 2012 was to disseminate our new mission to the entire workforce and introduce it to our culture. Defined by the Executive Committee, 25 words express in a clear and objective manner the values which inspire us and guide our daily activities: "To be the bank of choice of our **clients** because Santander is a **streamlined, safe, efficient**, and **profitable** bank that constantly seeks to improve the **quality** of everything it does, employing a **team** that enjoys working **together** to **gain** the acknowledgement and **trust** of all."

Over the year, more than 700 executives took part in the Mission in Action workshop and 78% of the Bank's employees participated in the Mission Dialogs (read more on page 87).

As a result, Santander Brazil's mission was classified as "clear and inspiring" in the Great Place to Work survey. The consolidation of the mission in our culture is a permanent objective and continues beyond 2012.

INTEGRATED SUSTAINABILITY 1.2

Sustainability at Grupo Santander is an integral part of our strategy, policies, and internal processes. As such, the topic takes on a cross-sectional approach capable of impacting all the bank's activities.

We have reviewed our positioning in Brazil in order to ensure progress in this aspect. To that effect, we merged the agenda of the country with our own and maintained a dialogue with external stakeholders. We then selected, among the priority issues at a national level, those where we are able to contribute in the most effective manner.

This enabled us to base our activities on three pillars: social and financial inclusion, education, and social/environmental business. Although we are already active in each of these areas, we are convinced that we can play an even more relevant and transformational role.

The innovations associated with our commitment to sustainability have led to financial results increasingly arising from business which promotes more inclusive and environmentally responsible development in our country.

STRATEGIC VISION OF SUSTAINABILITY

SUSTAINABILITY HAS BEEN A DRIVER OF INNOVATION, CREATING OPPORTUNITIES WHICH HAVE LED TO FINANCIAL RESULTS BECOMING INCREASINGLY DEPENDENT ON BUSINESS WHICH PROMOTES SOCIAL AND ENVIRONMENTAL IMPROVEMENTS.

WE AIM TO SYSTEMICALLY GENERATE RESULTS WHICH PROVIDE POSITIVE GAINS FOR THE BUSINESS AND SOCIETY AS A WHOLE BY MEANS OF TRANSFORMATIONAL MANAGEMENT PRACTICES AND FINANCIAL SOLUTIONS.

IN ORDER TO ENSURE PROGRESS ON THIS TOPIC AND TO ACHIEVE THE NECESSARY INNOVATIONS, WE RELY ON AN EXPERIENCED SUSTAINABILITY TEAM AND A SOLID GOVERNANCE STRUCTURE SUPPORTED BY SANTANDER EXECUTIVES AND EXTERNAL SPECIALISTS. WE STRIVE TO PROMOTE PROGRESS BASED ON THREE MAJOR AREAS: **SOCIAL AND FINANCIAL INCLUSION, EDUCATION, AND SOCIAL/ENVIRONMENTAL BUSINESS**, AS ILLUSTRATED IN THE CHART BELOW.

GOVERNANCE

DECISION-DECISION STRUCTURE

- Corporate Governance and Sustainability Committee – with report to the Board of Directors.
- Executive Committee
- Sustainability Committee
- Strategic Sustainability Forum – external members
- Consultative Committee – "Fundo Ethical"
- Consultative Committee – Microcredit

PARTICIPATION IN SUSTAINABILITY INDICES

- Corporate Sustainability Index (ISE) – BM&FBOVESPA
- Carbon Efficient Index (ICO2) – BM&FBOVESPA e BNDES

COMMITMENTS

- Carbon Disclosure Project – CDP
- Equator Principles – IFC
- Forest Footprint Disclosure – Global Canopy Programme
- GHG Protocol Program – WRI e WBCSD
- Global Compact – UN
- Green Protocol – Febraban
- ILO Guidelines
- International Declaration on Cleaner Production – UN
- Millennium Targets – UN
- National Pact for the Eradication of Slave Labor – Ethos Institute
- OECD Guidelines
- "Pact Against Sexual Exploitation of Children and Teenagers - Earth of Mans Brasilian Association (ABTH), Department of Human Rights and Republic Presidency
- Principles for Responsible Investment – PRI - UNEP FI & Global Compact
- UNEP FI – Pnuma and finance sector
- Wolfsberg Principle

EMPLOYEE ENGAGEMENT

- "Ser Líder Santander" – Sustainability in leadership programs
- On line courses - Sustainability, Business, Human Rights, Diversity and Financial Education
- Sustainability and Innovation Award
- Sustainability in training for branches - transversally
- Sustentabilidade pra Todo Lado 2012 – Sustainability award for employees
- Sustainability in the Performance Management Program


BUSINESS AND SOCIOENVIRONMENTAL MANAGEMENT
SOCIAL AND FINANCIAL INCLUSION
EDUCATION
SOCIOENVIRONMENTAL MANAGEMENT
FINANCIAL INCLUSION
SOCIAL INCLUSION
BUSINESS
SOCIOENVIRONMENTAL MANAGEMENT
Branches in Communities – Complexo do Alemão and Vila Cruzeiro
Financial Advisors – Lectures and guidance to customers/partners
Website – Videos, worksheets, games and booklets
Certified Financial Guidance
Financial Microcredit
Santander Microcredit
"Amigo de Valor" – Support to the rights of children and adolescents
Diversity Program
"Parceiras em Ação" – Low income women entrepreneurs (diversity)
Virtual Vision – Software for visual accessibility (diversity)
Afroreggae – Social inclusion
Criaticidades – Creative economy
"Empreendedores Criativos" – Creative entrepreneurs
"Talentos da Maturidade" – Third age/arts (diversity)
"Integrare" – Center for Business Integration (diversity)
Santander Universities
Universia – Academy – Business collaboration platform
"Projeto Escola Brasil – PEB" – Public Education Project
"Programa de Educação Infantil" – Educational Program for Children
"Biblioteca Brasiliana – USP" – Research Center and Library
"Museu de Arte Moderna – MAM" – Museum of Modern Art
"Museu do Amanhã" – Museum of Tomorrow
Santander Cultural – Art
"Brincando na Rede" – educational platform for children
"Espaço de Práticas em Sustentabilidade" – Sustainability Website
"Santander Práticas de Educação para Sustentabilidade 2011/2012" – Sustainability award for teachers
Financing
Accessibility Impairment Reform
Retail
Sustainable CDC – Accessibility, Renewable Energies and Cleaner Processes
Credit for continued Education – pos graduation and MBA
"Giro Sustentável" – Floating Capital
Lines ABC – Low Carbon Agriculture
Corporate
Lines IFC – Sustainable Projects
Conventional products with social and environmental purpose - Corporate
Investment
"Fundo Ethical" – ESG Fund
Participations in Projects and Companies
Mantiq – Socioenvironmental criteria in project evaluation
Asset&Capital Structuring – Copromotion of renewable energy projects
Insurances
Life Insurance Woman/Man – diversity
New Markets
MDL Projects
Instruments, Processes and Approaches
Socioenvironmental Criterion in Products – Approval/Review
Socioenvironmental Risk Practice
Commercial Plan – Corporate Banking
Commercial Plan – Retail Banking (legal entities)
Sustainability in the Commercial Method – Retail Banking
ESG criteria in the evaluation of financial assets – Ethical Fund, private credit and business evaluation
Socioenvironmental criteria in the selection and operation with brokers
"Obra Sustentável" – Program of sustainable construction projects and on line community
Real Estate loans for same sex partners – diversity
Reduction Targets
Energy consumption and emissions
Ecoefficiency Main Office and Branches
Water: (eg. Rainwater use system – Branches)
Energy: (eg. Use of renewable energy in administrative buildings)
Paper: (eg. Efficiency in printing)
Residues: (eg. "Papa Pilhas" – battery collection and disposal; Management of Organic waste – main office)
Emissions Management
Emissions Inventory – "GHG Protocol Brasil"
Emissions reduction
Optimized operational logistics for Branches
"Carona Amiga" – Auto organized rides to workplace
Emissions offsets
"Floresta Santander" – Reforestation program
Certifications
ISO 14001 – Torre Santander, administrative buildings and branches
LEED – Torre Santander
Use of materials with certification – wood and paper in branches
Instruments, Processes and Approaches
"Huella Ambiental" – Ecological Footprint
Socioenvironmental criteria in the evaluation of quality of branches
Integrated System os Environmental Management
Socioenvironmental criteria in projects and construction of branches
Norm for waste collection
Policys
Environmental Policy
Humanitarian Aid Policy
Human Rights Policy
Stakeholder Engagement Policy
Bribery and Anticorruption Policy
SOCIAL AND FINANCIAL INCLUSION
EDUCATION
SOCIAL AND ENVIRONMENTAL BUSINESS
RESULTS FOR BUSINESS AND FOR ALL

CORPORATE GOVERNANCE

MORE TRANSPARENCY

THE NUMBER ONE CHALLENGE WAS TO IMPLEMENT ALL THE COMMITTEES CREATED IN THE PREVIOUS YEAR 4.1 4.7 4.9

The concept of being a streamlined bank has also impacted the organization of our internal structures. In 2012, the Governance department strove to follow this path by reducing and merging different areas in order to have a streamlined and horizontal structure, thereby rendering it more efficient.

The number one challenge was to implement all the committees created in the previous year. All the advisory committees became fully operational in 2012, including the Corporate Governance and Sustainability Committee and the Risk Committee which, together with the Audit Committee and the Compensation and Appointment Committee, enabled the Board of Directors to perform in a more effective and consistent manner, ensuring the principles of transparency, fairness, and corporate responsibility.

On another front, we started an important task involving the simplification of agreements. Over a hundred drafts were reviewed, rendering our agreements clearer, more transparent, streamlined, and accessible to clients in terms of language.

Another program with a focus on the streamlining of processes involved our Compliance department. We reduced bureaucracy and the time required to approve new products. The process, which often took 48 days, was reduced to 26 days on average, a reduction of 46%.

We also made significant progress in the area of Litigation. We are making efforts to reduce the backlog of lawsuits. We began with the Labor department a little over a year ago. We reduced the backlog of labor-related legal proceedings by 13% between December 2011 and December 2012. This work is ongoing and is also being developed in the area of civil lawsuits.

SUSTAINABILITY GOVERNANCE 4.1

Our sustainability governance model supports continuous evolution of the topic in the Organization. We improved this model in 2012 by increasing the participation of external stakeholders and senior executives from the bank in the structures comprising the model.

Santander Brazil's governance model now features a Sustainability department and four additional committees. These forums rely on the participation of the Organization's key executives and external leaders. These committees are:

- **Corporate Governance and Sustainability Committee:** Responsible for assisting the Board of Directors on issues involving corporate governance and sustainability practices. These responsibilities include the analysis and proposal of improvements to critical processes and verifying practices of corporate governance, in addition to assessing the Company's performance regarding sustainability and any enhancements which might be applied to environmental and social management guidelines related to different target audiences such as clients, employees, suppliers, shareholders, and society as a whole. This committee is composed of three independent members. It convened four times during 2012, more often than specified for this type of committee (ordinarily meeting twice a year).

- **Executive Committee:** Composed of the Organization's CEO and Vice presidents. Debates on sustainability are in accordance with a fixed quarterly agenda as a means of ensuring alignment with strategic guidelines.

- **Sustainability Committee:** Composed of executives from the different areas of the Bank. This committee is responsible for discussing and defining strategies in relation to sustainability, ensuring the implementation of plans within the agreed upon deadlines, and debating the main topics related to sustainability. It has been operational since October 2012 and has convened for three monthly meetings.

- **Strategic Sustainability Forum:** Supports the Bank's sustainability governance by providing the opportunity to obtain an external view of Santander's strategy related to sustainability. Chaired by the CEO of Santander Brazil, it is composed of external members with vast knowledge on the issue, in addition to three of the bank's executives. The forum first met in 2012 and is due to convene twice a year starting in 2013.

Sustainability Governance is reinforced by the Global Committee for Sustainability in Madrid, chaired by the Group's CEO and involving all business areas. The Global Committee is responsible for three tasks:

- defining strategies related to sustainability
- approving, implementing, and managing the strategic aspects of the policies
- promoting training and awareness activities in the social/environmental sphere

RISK COMMITTEE

The Risk Committee provides support to the Board of Directors on issues involving policies, operational guidelines and capital allocation methodologies, risk management, and exposure limits. It is responsible for:

- reviewing and monitoring the implementation of risk management policies;
- proposing and discussing procedures and systems for the measurement and management of risks ;
- validating and ensuring the effectiveness of exposure limits regarding different risks such as market, credit, operational, and liquidity, to name a few;
- reviewing the exposure of the main clients, economic activities, and geographic regions which represent the greatest risk to the Company.

PROCESSES AND PRACTICES 2.6

The market views Santander as being a company with highly advanced corporate governance processes and practices. The bank voluntarily holds itself to a series of governance rules and practices beyond those required by the legislation in force.

The Company's practices include 100% tag-along rights for minority shareholders, accumulation of functions of the Chairman of the Board of Directors and CEO, and the convening of the Board of Directors to make decisions in all cases of IPOs for the acquisition of the Company's shares.

The bank, which also heeds the recommendations of the Code of Best Practices of the Brazilian Institute of Corporate Governance (IBGC), has its shares and units listed at Corporate Governance Level 2 on the Brazilian Stock Exchange (BM&FBOVESPA).

Santander units are also traded on the New York Stock Exchange (NYSE) and are subject to the regulations in force in the U.S. In addition to being under the supervision of the Securities & Exchange Commission (SEC), the bank is subject to the Sarbanes-Oxley (SOX) Act, which aims to ensure the creation of reliable corporate audit and security mechanisms.

The units are share deposit certificates composed of 55 common shares and 50 preferred shares. As such, Santander grants the shareholder a political right– the vote, characteristic of common shares –and an economic benefit–the differentiated dividend, 10% higher, conferred upon preferred shares.

BUYBACK PROGRAM

On August 24, 2012, the Board of Directors approved the renewal for another year of the Buyback Program for depositary certificates and shares issued by the Company, involving the acquisition of up to 57,006,302 units or American Depositary Receipts (ADRs) by Santander or by its Cayman branch. This corresponds to approximately 1.5% of Santander's share capital on July 31, 2012. The material facts related to the Buyback Program can be viewed on www.santander.com.br/ri.

Since 2012, Santander units have integrated Ibovespa, the most important average share performance indicator in the Brazilian stock market. The Company is also included in other index portfolios of BM&FBOVESPA, such as the Efficient Carbon Index (ICO2)—composed of companies that adopt transparent practices regarding greenhouse gas emissions (GHG)— and the Differentiated Tag-Along Index (Itag). Learn about the indices that have the SANB11 (ticker of the units on BM&FBOVESPA) at www.santander.com.br.

Santander is also a part of the portfolio of the BM&FBOVESPA Corporate Sustainability Index (ISE) for the third consecutive year. The ISE reflects the return of a portfolio composed of shares from companies that are known to be committed to social responsibility and sustainability and that play a significant role in the promotion of best corporate practices in Brazil.

The portfolio, in force from January 7, 2013 to January 3, 2014, comprises 51 shares from 37 companies and represents 16 sectors, totaling R$ 1 trillion in market cap, the equivalent of 44.81% of the total value of the companies whose shares are traded on BM&FBOVESPA.

DECISION-MAKING STRUCTURES

Santander is managed and administrated by a Board of Directors and an Executive Board. In addition, the Board of Directors is supported by the Audit Committee, the Compensation and Appointment Committee, the Corporate Governance and Sustainability Committee, and the Risk Committee. In turn, the Senior Management is supported by six non-statutory committees which deal with various issues (see more on page 29).

THE BOARD OF DIRECTORS 4.1 4.3 4.6 4.9 4.10

The Board of Directors is a collective decision-making body, responsible for providing general guidelines for Santander operations in Brazil, consisting of nine members, four of whom are independent, a number greater than that required by the rules of Corporate Governance Level 2. Members enjoy a two-year term and meet on a regular basis four times a year, and on a special basis whenever convened by the Chairman of the Board. In 2012, the Board implemented a self-assessment process with the assistance of a specialized firm.

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. The Board met 16 times in 2012. Board decisions are reached through a majority vote among the members present and are documented in the minutes and recorded in the appropriate book, in compliance with legal requirements.

The members of the Board are expected to:

- promote the long-term prosperity of the institution
- make every effort to ensure that the principles of Santander are respected, maintained, and disseminated among the employees
- maintain confidentiality of all information that has not been disclosed to the market, including information that has been obtained given their position in the Company
- ensure that subordinates and third parties also maintain the confidentiality of information not disclosed to the market
- maintain the updating and enforcement of the provisions of Santander's Code of Ethics in order to ensure that the principles that govern its operations and the relationship of all employees and administrators are present in the Organization's day-to-day activities

Additionally, in the event of a potential conflict of interest, members of the Board of Directors should disclose the conflict and refrain from debating the issue and from voting.

To learn more about the responsibilities and the organization of Santander's Board of Directors, visit **www.santander.com.br/ri** or **www.santander.com.br/acionistas** and click on the "Corporate Governance" section. The Bylaws of Banco Santander and the Rules of Procedure of the Board of Directors approved at the meeting held on December 23, 2009 are also available on these websites.

On December 31, 2011, the Board of Directors was as follows: 4.2 4.3

Name	Position
1. Celso Clemente Giacometti	Chairman and Independent Board Member
2. Marcial Angel Portela Alvarez	Vice-Chairman
3. Conrado Engel	Board Member
4. José Antonio Álvarez Álvarez	Board Member
5. José Manuel Tejón Borrajo	Board Member
6. José de Paiva Ferreira	Board Member
7. Marília Artimonte Rocca	Independent Board Member
8. José Roberto Mendonça de Barros	Independent Board Member
9. Viviane Senna Lalli	Independent Board Member

From left to right: José Antonio Álvarez Álvarez, Marília Artimonte Rocca, José de Paiva Ferreira, Celso Clemente Giacometti, Viviane Senna Lalli, Marcial Angel Portela Alvarez, Conrado Engel, José Roberto Mendonça de Barros, and José Manuel Tejón Borrajo.

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 provided for in the Company Bylaws and in the legislation in force, the main function of the Board of Directors is to provide guidance for Santander's business and operations, which must be observed by the Senior Management in performing their activities.

Approval of Financial Statements and Allocation of Net Income - As provided for in the Company Bylaws and in the legislation in force, Santander's Board of Directors is responsible for the approval and review of the annual budget, the capital budget, and the business plan; for issuing an opinion on the annual, semi-annual, and quarterly financial statements; for proposing the allocation of net income for the fiscal period; and for deciding on the pay-out of dividends and/or interest on equity.

Approval of Corporate Transactions – The Board of Directors must issue an opinion on any corporate actions involving Santander and authorize the disposal of current and non-current assets in the permanent assets. It must constitute collateral to any third parties or for the acquisition or sale of investments in equity interest with third parties for any amount that exceeds 5% of the net equity stated on the balance sheet approved in the last Annual General Meeting, as well as authorize any equity associations or strategic partnerships 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 issuance of bonuses, 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 - The Board of Directors is responsible for appointing and removing members of Senior Management and determining their compensation, benefits, and other incentives, subject to the global limit of compensation approved in the Annual General 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 in the Annual General Meeting.

Advisory Committees and Ombudsman - The Board of Directors is responsible for appointing the members of the Audit Committee, Compensation and Appointments Committee, Corporate Governance and Sustainability Committee, and Risk Committee, as well as the Ombudsman. The members of the Board are also expected to promote respect for the bank's principles and long-term prosperity.

AUDIT COMMITTEE

The Audit Committee assists the Board of Directors in the fulfillment of its supervisory responsibilities, analyzing and ensuring that the bank complies with the applicable laws and regulations. The Audit Committee also supervises the integrity of the financial statements and internal control systems, including the processing of information or confidential and anonymous reports made by employees, shareholders, suppliers, clients, and stakeholders concerning fraud, questionable accounting practices, or audit issues. This committee met at least once a month for a total of 50 times in 2012.

Santander's Bylaws require that its Audit Committee must be composed of three to six members, elected by the Board of Directors for a term of one year, entitled to reelection for four consecutive terms.

On December 31, 2012, the Committee was composed of the following four Independent Members:

Name	Position
René Luiz Grande	Coordinator and Independent Member
Celso Clemente Giacometti	Independent Member
Sérgio Darcy da Silva Alves*	Independent Member
Elidie Palma Bifano	Independent Member

*Left the Audit Committee on March 16, 2013

COMPENSATION AND APPOINTMENTS COMMITTEE

The Compensation and Appointments Committee is responsible for advising the Board of Directors on subjects related to the election and compensation of the management, succession plans, and the assessment of administrative bodies.

In the Extraordinary General Meeting held on February 7, 2012 the amendment of Banco Santander 's Bylaws was approved in order to establish the Compensation and Appointments Committee, which incorporated the powers of the Compensation and Appointments Committee already in place. The purpose of this measure was to comply with the National Monetary Council Resolution No 3921/2012 of January 25, 2010, which determined the inclusion in the bank's Bylaws of the number of members; the appointment, removal and compensation criteria; length of term in office; and responsibilities of the Compensation Committee.

Among its main responsibilities, we highlight the following:

- development of the compensation policy for Company administration, proposing to the Board of Directors the various forms of fixed and variable compensation, as well as benefits and special programs for staff recruitment and termination
- supervision of the implementation and enforcement of the compensation policy for the Company's administration
- annual review of the compensation policy for the Company's administration, recommending any corrections or improvements to the Board of Directors
- proposal to the Board of Directors of the total overall compensation for the administration, to be submitted to the General Shareholders Meeting in accordance with Article 152 of Law No. 6404 of 1976
- evaluation of future internal and external scenarios and their potential impact on the administration compensation policy
- analysis of the compensation policy for the Company's administration compared to market practices, aiming to identify any significant discrepancies in relation to its peer companies, and proposing any necessary adjustments
- overseeing the conformity of the compensation policy for the administration with the risk management policy, with the goals and current and expected financial situation of the Company, as well as with the applicable legislation
- annual development of the Report of the Compensation and Appointments Committee within 90 days after December 31st of each year, subject to applicable legal and regulatory requirements in relation to the December 31st reference date for each year
- identification, analysis, and proposal of candidates for the Board of Directors, Audit Committee, Risk Committee, Compensation and Appointments Committee, Governance and Sustainability Committee, and the positions of CEO and Executive Vice Presidents.

The members of the committee are appointed by the Board of Directors and selected in accordance with the legal and regulatory requirements for such a position. One member must not be a manager at the Company, and the others may or may not be members of the Company's Board of Directors, with at least two independent members having a two-year term with the possibility of holding the position for four consecutive terms. Ordinary meetings are held twice a year, but may occur with greater frequency upon request of the committee coordinator.

On December 31, 2012, this Committee was as follows:

Name	Position
Celso Clemente Giacometti	Coordinator and Independent Member
Viviane Senna Lalli	Independent Member
Eduardo Gianini	Independent Member

From left to right: José Alberto Zamorano, Pedro Paulo Longuini, Pedro Coutinho, Ignácio Dominguez-Adame, Oscar Herrero, Conrado Engel, Lilian Guimarães, Marcial Portela, Marco Araújo, Félix Cardamone, João Consiglio, and Carlos Galan.

GENERAL SECRETARIAT

This area is responsible for providing advisory services to the management bodies of the bank and for the organization of the corporate governance system and is led by Marco Antonio Martins de Araújo Filho, Executive Vice President of Corporate Affairs. Its responsibilities include the formal and material legalities related to the activities of the Board of Directors and its advisory committees, providing assistance to the Chairman of the Board of Directors in his duties, ensuring compliance with the applicable legislation of the management bodies, ensuring a timely flow of information, compliance with best corporate governance practices and the reputation of the bank, and for producing and safekeeping of corporate documents.

THE EXECUTIVE BOARD

The Executive Officers are responsible for the management and representation of Santander. According to the Bylaws, the Executive Board should consist of a minimum of 2 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, eligible for re-election.

One of its members must be appointed as Chief Executive Officer, 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 CEO, Senior Executive Vice Presidents, and the Executive Vice Presidents are also part of the Executive Committee, which deliberates on issues related to policies involving the management of the business, operational support, human resources, and the allocation of capital. The Executive Committee also makes decisions about the main projects related to technology, infrastructure, and services.

On December 31, 2012, the Executive Committee was as follows:

Nome	**Cargo**
1. Marcial Angel Portela Alvarez	CEO
2. Conrado Engel	Senior Executive Vice President
3. Carlos Alberto López Galán	Executive Vice President
4. Ignácio Dominguez-Adame Bozzano	Executive Vice President
5. João Guilherme Andrade So Consiglio	Executive Vice President
6. Lilian Maria Ferezim Guimarães	Executive Vice President
7. Luís Felix Cardamone Neto	Executive Vice President
8. Marco Antonio Martins de Araújo Filho	Executive Vice President
9. Oscar Rodriguez Herrero	Executive Vice President
10. Pedro Carlos Araújo Coutinho	Executive Vice President
11. Pedro Paulo Longuini	Executive Vice President

SUPPORTING COMMITTEES 4.4

The Executive Board is supported by six non-statutory committees involving the different departments of Santander. The aim is to ensure that decision-making by the Executive Board complies with the guidelines and aspirations of the Organization in a consistent and transparent manner.

Financial Committee – Controls, assesses, and approves the policies and guidelines related to the management of capital and structural risks in the balance sheet, which include risks of liquidity, interest rates, foreign exchange rates, and variable income investments.

Human Resources Committee – Discusses and approves strategic Human Resources issues in the medium- and long- term, and approves issues associated with the organizational culture, taking the future of the Company's personnel into account.

The Facility Management Committee – Monitors and approves the following issues: single systems plan and portfolio of investments in technology and the approval of large projects; operational risk indicators; budget for expenses (general and personnel) and investments; issues related to operational risk; and the organizational structure.

Regulations and Standards Committee – Analyzes new laws and standards defined by regulators and self-regulatory entities, in addition to relevant external and internal policies and their impact on the Company's activities.

Business Committee – Analyzes and decides on, among other things, business-related subjects, periodically revising the Company's commercial and strategic positioning.

Quality Committee – Establishes customer satisfaction goals, validates quality indicators and plans, in addition to assessing indicators for SAC (customer service) and Ombudsman and the outcomes of customer satisfaction surveys.

OWNERSHIP STRUCTURE 2.3 2.6

On December 31, 2012, the ownership structure of Santander was as follows:

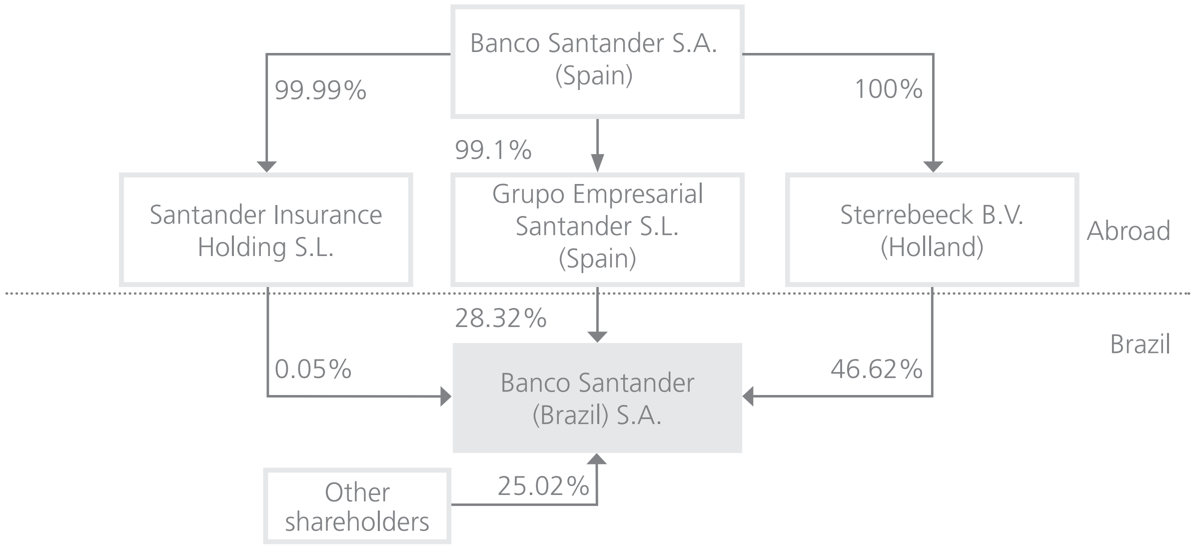
IN THOUSANDS, EXCEPT PERCENTAGES

Shareholders	Common shares	%	Preferred shares	%	Total %
Sterrebeeck B.V.[(1)]	99,527,083	46.76%	86,492,330	46.45%	46.62%
Grupo Empresarial Santander, S.L. (GES)[(1)]	61,606,700	28.94%	51,386,053	27.60%	28.32%
Santander Insurance Holding, S.L. (SH) [(1)]	206,664	0.10%	-	0.00%	0.05%
Treasury shares	568,882	0.27%	517,166	0.28%	0.27%
Employees[(2)]	223,198	0.10%	204,208	0.11%	0.11%
Other minority shareholders	50,709,205	23.82%	47,602,628	25.56%	24.64%
Total	212,841,732	100.00%	186,202,385	100.00%	100.00%

[(1)] Companies from Grupo Santander Spain

[(2)] Includes members of senior management

SIMPLIFIED OWNERSHIP ORGANIZATION CHART



SHAREHOLDER BASE

Distribution of share capital per type of shareholder on December 31, 2012 was as follows:

	Common shares	Preferred shares	Total
Individuals	1.26%	1.98%	1.60%
Institutional	22.60%	23.54%	23.04%
Non-Institutional*	0.33%	0.43%	0.38%
Santander Spain**	75.81%	74.05%	74.98%
Total	100.00%	100.00%	100.00%

*Treasury shares and employees
**Santander Spain – GES, Sterrebeck and Santander Insurance Holding

Santander Brazil has over 172,000 individual investors. The bank has adopted a consistent dividend pay-out policy in order to meet shareholders' expectations.

The total of dividends and interest on equity reported in 2012 totaled R$ 2.670 billion. The total amount net of taxes received per class of one thousand shares is shown in the table below:

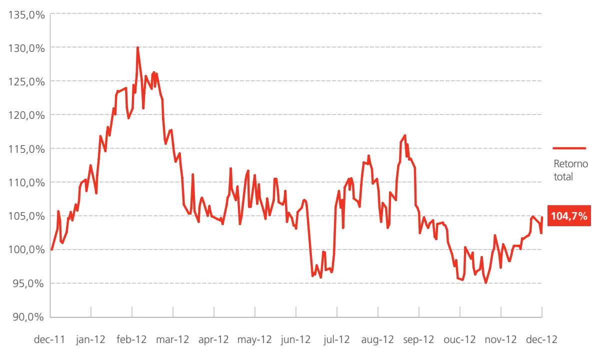
Dividends + net interest on equity (R$)	
Common Shares	6.4095
Preferred Shares	7.0505
Units	705.0614

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

Annualized yield	
Common Shares	4,30%
Preferred Shares	4,56%
Units	4,45%

OUR SHARES

Santander ended 2012 with a market cap of R$ 57 billion* and a total shareholder yield of 4.7%, taking into account the performance of the share plus the reinvestment of the dividends paid during the period.



*Source: Bloomberg 28/12/12

GENERAL SHAREHOLDERS MEETINGS

Santander shareholders gathered in three General Meetings in 2012. The main decisions made were:

THE EXTRAORDINARY GENERAL MEETING HELD ON FEBRUARY 7, 2012

- To approve the proposal to grant the "Deferred Bonus Plans" for 2011 to officers, managers, and other employees working at the Company and affiliated companies
- To approve the amendments to the Company's Bylaws in order to comply with Resolution 3921 of November 25, 2010, issued by the National Monetary Council, which provides for the creation of the Compensation Committee

THE EXTRAORDINARY GENERAL MEETING HELD ON APRIL 25, 2012

- To approve the managers' accounts and the Company's financial statements for the fiscal period ending on December 31, 2011
- To decide on the allocation of net income for the fiscal period ending on December 31, 2011 and the pay-out of dividends
- To define the overall annual compensation of the management and the members of the Company's Audit Committee
- To change the deadline for the payment of dividends and/or interest on equity, specifically for the 2012 fiscal year
- To amend the Company's Bylaws in order to include the Executive Committee and a general description of its responsibilities

THE EXTRAORDINARY GENERAL MEETING HELD ON OCTOBER 31, 2012

- To elect Mr. Conrado Engel and Ms. Marília Artimonte Rocca (the latter as an Independent Member) as new members of the Company's Board of Directors for a term lasting up to the 2013 Annual General Meeting.

SHAREHOLDERS AND INVESTORS SERVICES

Santander has a differentiated shareholder and investor service model in all countries where it has shares listed on the stock market. 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.

The purpose of this model is to reinforce Santander's commitment to maintaining a close and accessible relationship with all its stakeholders. Moreover, as a public company this commitment is even greater in order to guarantee equity in communication.

This model was introduced in Brazil in 2010 and provides exclusive channels for each audience.

The Shareholder Relations area provides several exclusive channels for individuals and non-financial corporate shareholders. The most important is the Shareholder Portal (www.santander.com.br/acionistas), through which shareholders and other stakeholders may have access to information on the bank in a simple and informative manner, in addition to obtaining information on specific services provided by the bank, such as the dividend calculator. Contact may also be made via e-mail through acionista@santander.com.br or by phone toll-free 0800 286 8484 (business days from 9:00 a.m. to 7:00 p.m.).

This department is also responsible for organizing public meetings at the Association of Capital Market Investment Professionals and Analysts (APIMEC) in several states. Our strategy at these meetings is to submit, especially to shareholders, information on quarterly results, in addition to our model and positioning in the market, corporate governance, and the sustainability initiatives which permeate our business.

Public companies are required to hold a public meeting once a year. In 2012, we held six meetings throughout Brazil in partnership with APIMEC in cities including São Paulo and Rio de Janeiro. We also held events in Brasilia, Porto Alegre, Curitiba, and Salvador in partnership with Expo Money, the biggest financial education fair in Latin America.

As a means of underlining our concern for financial education, we delivered lectures to university students and staff to explain how public companies and the stock market operate. All participants at these events were given the Santander Guide to Investment in Shares, which clearly explains the main concepts of variable income markets. FS16

The Investor Relations area serves both Brazilian and foreign institutional investors, in addition to market analysts and professionals. By maintaining close ties with these audiences, we provide easy access to information on the bank and strengthen our bonds of trust.

The main channel to view this content is the Investor Relations website (www.santander.com.br/ri). The website was redesigned in 2012 in order to better meet the needs of this target audience, and is now more user-friendly and faster to use. Investors now have tools that provide information far more quickly, like a more efficient search engine and the Top 5, a feature on the homepage which displays the five most recent updates and the five most viewed items on the website overall. Furthermore, the website provides users with the possibility of customizing the page, whereby the investor may save sessions of specific interest; the RSS tool, a simple and practical manner of subscribing to all the content on the website; and the mobile version, which improves access via cell phones and tablets.

The Investor Relation website provides regular information disclosed to the market and filed by the regulatory agencies (CVM and SEC) and the stock exchanges (BM&FBOVESPA and NYSE), details on ownership structure, ratings, performance indicators, dividend records, share prices, and other information.

TRANSPARENCY AND INFORMATION DISCLOSURE POLICIES

All information about the bank is disclosed to the markets in a transparent manner and with equal treatment. As a consequence, both shareholders and investors are provided with equal conditions to make their investment decisions in the most appropriate and safest manner. To this end, the bank has a series of policies in place which establish the rules regarding the bank's relationship with these target audiences, including the disclosure of information, conflicts of interest, and transparency.

The disclosure of Material Facts and of the Trading of Securities complies with a strict internal policy. This policy applies to all the employees and management working at the bank and its subsidiaries. The documents provide rules for the disclosure of material facts, the confidentiality of this information, and commitments regarding the trading of securities issued by the bank.

According to CVM Instruction 358, any decision made by the majority shareholder, the General Shareholders Meeting, or the Company's administrative bodies, or any other act or fact of a political-administrative, technical, business, or economic-financial nature related to the business and which could have a significant impact on the following aspects, is regarded as material:

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

The policies for the Trading of Securities and Disclosure of Act or Relevant Fact for the Company had their revisions approved in the Board of Directors meeting held on November 23, 2011, with the purpose of: creating a Disclosure Committee; previewing procedures for the disclosure of the Santander projections containing information on future performance ("guidance"); inclusion of a flow for the application of penalties in the event of non-compliance with the policies; including applicable regulations specifically forbidding managers and controlling shareholders from trading on the same day on which the Company is trading its own securities; and the inclusion of a 30-day period after a board member has taken office to transfer to a Santander broker any securities that associated persons may hold with other brokers.

RISK MANAGEMENT POLICY 4.6

The bank has maintained a Policy for the Disclosure of Risk Management and Required Equity since March 2011 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 and capital management take regulatory and economic requirements and levels into account, and are in line with Grupo Santander's best market practices and global guidelines.

This enables us to properly manage our capital and foresee the future needs of the various phases of the business cycles, making forecasts for regulatory and economic capital based on financial forecasts (balance sheet, income statement, etc.) and in macroeconomic scenarios forecast by the Economic Research Department.

POLICY FOR TRANSACTIONS WITH RELATED PARTIES

Since 2010, Santander has had a Policy for Transactions with Related Parties that establishes rules ensuring that all decisions, particularly those involving related parties and other situations of possible conflicts of interest, be made in the best interests of the bank and its shareholders. This policy applies to all employees and management working at the bank and its subsidiaries.

In accordance with the policy, related parties are individuals or legal entities the bank may hire under conditions other than the independent conditions which characterize transactions with third parties. The policy states that all transactions with related parties involving amounts greater than or equal to 1% of the bank's net equity approved in the most recent Annual General Meeting, individually or collectively for each period of 12 consecutive months, shall be assessed by the Audit Committee and approved by Santander's Board of Directors.

In line with Level 2 requirements of BM&FBOVESPA, Santander undertakes to conduct a periodic review of this policy in order to ensure the continuous improvement of best practices associated with the issue. This is also in line with Law 6404/76, mainly with regard to the duty of administrators to ensure that the interests of the company always take priority over personal interests in decision-making.

The full version of these documents is available at **www.santander.com.br/ri.**

CODE OF ETHICS

The Santander Code of Ethics establishes guidelines for the performance and relationship of administrators, employees, and interns of the companies that form the organization, in addition to their responsibilities and conduct, regardless of hierarchy levels. It also provides guidelines with respect to relationships with clients, suppliers, government entities, partners, and the press, guided by principles of confidentiality, integrity, the availability of information, and by Information Security policies.

The Code of Ethics covers concepts related to sustainability and is supplemented by a number of policies on this topic, including global manuals on the Prevention of Money Laundering and the Financing of Terrorism and supplier management.

The document also covers non-discrimination and equal opportunities, respect for people, compatibility of 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 risks, as well as the supervision and monitoring of compliance with the rules that comprise the Code of Ethics, are the responsibility of the Compliance Department. The Company also has several mechanisms in place to detect any potential breach to this code. Employees should be familiar with and share this document and be aware that failure to comply with the Code may result in disciplinary action.

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 should also be complied with by managers and employees 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 interests, and how to deal with insider information—that is, information that is not disclosed to the public through independent communication channels. This code extends to individuals and legal entities directly associated with employees and administrators.

RISK MANAGEMENT

SELECTIVITY AND MAINTENANCE OF GOALS

THE ECONOMIC DOWNTURN AND THE INDEBTEDNESS OF FAMILIES HAVE BROUGHT MAJOR CHALLENGES TO THE RISK DEPARTMENT

One of our risk management differentials is the involvement of senior management in decision-making. The Risk Committee discusses 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 for more assertive decisions, thus reducing credit risk.

The economic downturn in 2012 brought major challenges for the Santander Risk Department. A portion of Brazilian families became indebted, thus compromising a greater part of their income. These factors, combined with the inflation rate (IPCA), which reached 5.84% for the year, had a negative impact on the timely payment of financial obligations undertaken by this audience.

Companies saw their profitability dwindle due to the economic downturn caused by, among other factors, the financial crisis in Europe, the poor performance of exports, and the reduced financial capacity of economic sectors affected by increasing costs which failed to pass on these costs in their prices.

This resulted in default rates rising throughout the year in almost all sectors, forcing the bank to pay greater attention to granting loans.

Our biggest challenge was to become more selective. To this end, we adopted certain measures such as the strengthening of our teams and credit recovery tools. We were, therefore, able to provide our clients with solutions to enable them to fulfill their financial obligations and mitigate the impact of the economic scenario.

Furthermore, we implemented new decision-making models to guarantee that new clients registered lower default levels. Likewise, we reviewed our processes, ensuring an improvement in the quality of information and simplifying processes.

PRINCIPLES OF DIFFERENTIATED RISK MANAGEMENT

- Autonomy of the risk functions in relation to business
- The involvement of senior management in decision-making
- A consensus between the Risk and Business Departments on decisions involving credit operations.
- Collective decision-making, including the branch networks, thereby promoting the existence of different points of view and avoiding individual decision-making.
- The use of statistical tools for estimating default including internal rating, credit scoring and behavior scoring, RORAC (Return on Risk-Adjusted Capital), VaR (Value at Risk), economic capital, and scenario assessment, to name a few.
- A global approach, including the integrated treatment of risk factors in the business units and the use of the concept of economic capital as a consistent metric for risk undertaken and for the assessment of management.
- The retention of a predictable profile with conservative risk (medium/low) and low volatility in relation to credit and market risks. This is achieved by diversifying the portfolio, limiting the concentrations of clients, groups, sectors, products, or geographies; reducing the level of complexity of market operations; social and environmental risk analysis of business and projects financed by the bank; and continuous monitoring to avoid the deterioration of the portfolios.
- The definition of policies and procedures that comprise the Corporate Risk Framework, by means of which risk activities and processes are regulated.
- The definition of risk appetite by senior management.

RISK GOVERNANCE

The structure of the Santander Risk Committees is based on corporate standards and their main responsibilities involve:

- Approving proposals, transactions, and credit limits for clients and portfolios.
- Ensuring Santander's operations are consistent with the level of appetite for risk previously approved by the Executive Committee and the Board of Directors and are in line with the Group's policies.
- Being informed, assessing, and adhering to any observations and recommendations eventually made by the supervisory authorities in the fulfillment of their duties.
- Authorizing the use of local management tools and risk models and being familiar with the results of their internal validation.

The Vice Presidency – Risk Management Area, which is independent from the commercial areas and reports directly to the CEO of Santander in Brazil and to the Group's Corporate Risk Director, is divided into areas which fall into two different types of approaches:

- Methodology and Control, which adapts the policies, methodologies, and risk control systems.
- Business Risk, focused on risk management and the establishment of risk policies for each business operation conducted by Banco Santander in Brazil.

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 best international practices in order to protect capital and ensure business profitability. In our operations we are exposed to the following risks:

Credit risk - exposure to loss in the case of total or partial default by clients or counterparties in the fulfillment of their financial obligations to the bank. Credit risk management seeks to establish strategies and set limits, including the analysis of exposure and trends and the effectiveness of credit policies. The aim is to maintain a risk profile and adequate minimum profitability which offsets the estimated default risk of clients and portfolios, as established by the Executive Committee.

Market risk - exposure to risk factors such as interest rates, foreign exchange rates, the price of goods, stock market prices, etc., depending on the type of product, exposure, maturities, contract terms, and underlying volatility. Market risk management includes practices of measuring and monitoring the use of limits that have been established by internal committees, of the value at risk for the portfolios, of the sensitivities to fluctuating interest rates, of exposure to foreign exchange, and of liquidity gaps, to name a few. This enables the controlling and monitoring of risks which might affect the position of Santander portfolios in the different markets where the bank operates.

Operational risk - the possibility of loss resulting from the failure or inadequacy of individuals, processes, and systems or from external events. The management and control of operational risks aims for effectiveness of the internal control system and the prevention and reduction of events and losses.

Compliance risk - exposure from sanctions imposed by regulatory agencies, including legal sanctions, significant financial loss, or damage to the bank's reputation as a result of non-compliance with laws, regulations, principles and rules, norms, and codes of conduct applicable to its activities. Management of compliance risk takes a proactive approach toward the risk of non-conformity through monitoring, education, and communication.

Reputational risk - exposure resulting from negative public opinion, regardless of whether it is based on facts or merely a perception of the audience. Management of reputational risk is carried out by means of responsible involvement with the business.

CREDIT RISK

Management of credit risk seeks to ensure that the bank's performance is consistent with the level of appetite to risk previously approved by the Executive Committee and Grupo Santander. Its role is to define policies and strategies for the management of credit risk in accordance with the types of risk and strategy established by the Executive Committee.

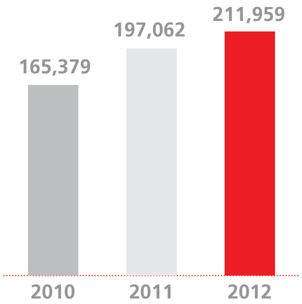

Meeting of the Risk Committee held at the Santander Tower.

Individualized management: clients from the wholesale segment, financial institutions, and certain companies. Management is conducted by a designated risk analyst, who prepares the analysis, forwards it to the Risk Committee, and monitors client progress.

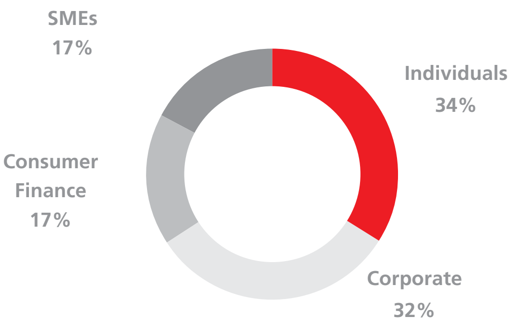
Standardized management: individuals and companies not classified as individualized clients. Management of these risks is based on automated decision-making and internal risk assessment models, supported by business authority levels and teams of expert analysts to address exceptions.

CUSTOMER LOAN PORTFOLIO

(R$ million)



BREAKDOWN BY SEGMENT FS6



SHARE IN CUSTOMER LOAN PORTFOLIO 2.7

RATING MODELS

Santander uses proprietary rating models to measure the credit quality of a client or a transaction. Each rating is associated with the likelihood of default or non-payment, established using the bank's experience. Ratings are used in the approval process and in risk monitoring.

The breakdown of the different categories of credit operations is carried out in accordance with the analysis of the economic-financial situation of the client and other regularly updated register information, in addition to the fulfillment of the agreed upon financial obligations. New operational modes are submitted for credit risk assessment and for verification and adaptation to the controls adopted by the bank.

Client assessments are reviewed on a regular basis and include any new financial information available and the experience developed in the relationship with the bank. These new assessments are conducted more frequently in the case of clients who have attained certain levels in the automatic alert systems and also in the case of those classified as requiring special monitoring. Rating tools are also reviewed so that the assessments they provide are progressively perfected.

MASTER RATING SCALE

Internal Rating	Standard & Poor's	Equivalence with Moody's
9.3	AAA	Aaa
9.2	AA+	Aa1
9	AA	Aa2
8.6	AA-	Aa3
8.1	A+	A1
7.7	A	A2
7.3	A-	A3
6.7	BBB+	Baa1
6.1	BBB	Baa2
5.6	BBB-	Baa3
5	BB+	Ba1
4.4	BB	Ba2
3.9	BB-	Ba3
3.3	B+	B1
2.7	B	B2
2.2	B-	B3
1.6	CCC	Caa1
1	CC	Ca

CREDIT LOSSES AND COST

Losses associated with credit risk are estimated on a monthly basis. Subsequently, these estimates are compared with the actual losses for the month. We conduct analyses on a regular basis in order to monitor and maintain control over credit risk.

In order to complement the use of the admission and rating models, Santander uses other measures to facilitate prudent and effective credit risk management based on the loss in question. Cost of credit is mainly measured by performance indicators such as the variation of provisions for credit losses, non-performing loans under recovery, and net loans written off.

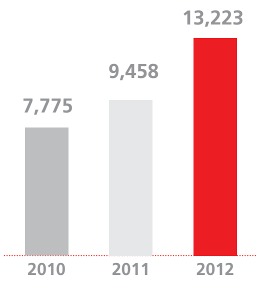
Reports on risk management are submitted to senior management in order to ensure compliance with our policies and strategy. Simulations of risk situations are carried out in order to assess the need for reviewing policies and limits previously established.

All information on risk management structure and procedures is filed at Santander and is available to Central Bank and other regulatory agencies. Furthermore, information on management of credit risk is made available to the public on a quarterly basis through financial statements in line with principles of transparency.

The chart below illustrates the evolution of all expenses with NPL net of recovery of credit written off as loss, under the BR GAAP criterion.

NET EXPENSES

(Expense with provisions for non-performing loans net of recovery of losses in R$ million)



CREDIT RISK CYCLE

Santander holds a global view of the bank's credit portfolio throughout the various phases of the risk cycle, with a level of detail that allows for the assessment of the current risk situation and any eventual shifts. This mapping is monitored by the Board of Directors and the Executive Committee, which establish the risk policies and procedures, limits, and levels of authorization, in addition to approving and overseeing the performance of this area.

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

i Pre-sale: this process includes planning, definition of goals, gauging the bank's appetite for risk, approval of new products, risk analysis and credit rating process, and definition of limits

ii. Sale: decision-making for pre-rated and specific transactions

iii. Post-sale: includes the monitoring, measuring, and control processes, in addition to the management of the recovery process.

- **Planning and risk limits**

This is the process that identifies the bank's level of interest through the assessment of business proposals and the risk position. It is defined in the global risk limit plan, a previously agreed-upon document for the integrated management of the balance sheet and inherent risks. The limits are based on two key structures: clients and sectors; and products.

In the case of individual risks, clients represent the most basic level, for which individual limits are established (pre-assessment). A pre-rating model based on the amount involved is used for large corporate groups. A simplified pre-rating model is used for other corporations using maximum nominal amounts of credit for each length of maturity.

In the case of standardized client risk, the portfolio limits are planned using credit management programs (PGC), a document agreed upon beforehand among the business and risk areas, and approved by the Executive Committee. This document contains the expected results for the business in terms of risk and return, in addition to limits to which the activities and risk management are exposed.

This group of clients receives a more automated treatment. Calculation and approval of limits are based on scoring and behavioral models.

- **Risk Analysis**

Risk analysis is a prerequisite for the approval of loans to clients and consists of examining the ability of customers to meet their contractual obligations to Santander, which includes the analysis of the customers' credit standing, their risk operations, solvency, the sustainability of their businesses, and the expected return taking the assumed risk into account. FS2

This analysis is carried out at a pre-defined frequency or whenever a new client or transaction arises. In addition, the client's rating is assessed whenever the warning system is triggered or an event occurs which affects either the client or the transaction.

- **Decision-making about transactions**

The purpose of the decision-making process about transaction is to assess any such transactions and to adopt solutions thereon, taking into consideration the risk appetite and any important factors for counterbalancing risk and return.

The bank uses, among others, the RORAC methodology (Return on Risk-Adjusted Capital) for analysis and pricing in the decision-making process about transactions and businesses.

- **Risk monitoring and control**

In addition to the roles carried out by the internal audit division, the Executive Vice Presidency for Risk has its own risk monitoring area for the control of credit standing, formed by teams with specific resources and responsibilities.

This monitoring area is based on a permanent observation process, which ensures the early detection of any events that could arise in the development of risk, the transactions, the clients, and their environment so that preventive actions may be taken. This monitoring area is broken down by client segment.

A system called "Firms Under Special Surveillance" (FEVE) has been created for this purpose, distinguishing four categories based on the level of concern raised by the circumstances in evidence (terminate, secure, reduce, and monitor). The inclusion of a company in the FEVE system does not imply default, but rather that closer monitoring is advisable, with the aim of taking timely correction and prevention measures, allocating a person to take charge and establishing a deadline to implement the action.

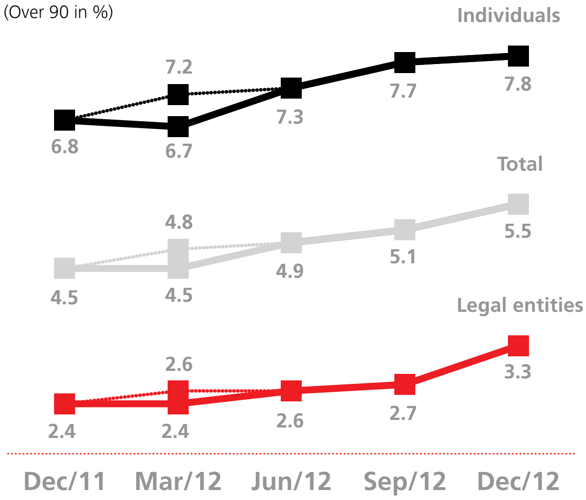
Clients included in the FEVE system are reviewed every six months, or every three months in more serious cases. A company is included in the FEVE system as a result of the monitoring process itself, a review carried out by the internal auditors, a decision made by the manager in charge of the company,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

With regard to clients with similar characteristics, the key indicators are monitored in order to detect any changes in the performance of the credit portfolio with respect to the forecasts made in the credit management programs.

Below is a chart showing the quarterly historical development of the default ratio in BR GAAP, which represents the percentage of transactions in the credit portfolio that have been overdue for more than 90 days. This ratio reached 5.5% in December 2012, which represents an increase of 1.0 percentage point compared with the same period in 2011.

NPL RATIO[1]

(Over 90 in %)



[1] Loans overdue for more than 90 days / Loan Portfolio in BR GAAP

RISK CONTROL

The purpose of the Risk Control Department is to obtain a global view of the bank's credit portfolio throughout the various phases of the credit cycle, with a level of detail that allows for the assessment of the current risk situation and eventual shifts.

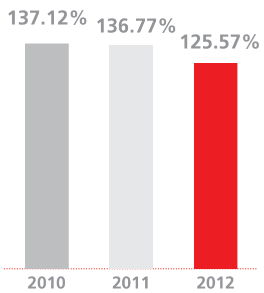
Changes to the bank's exposure to credit risk are controlled in an ongoing and systematic manner. The impacts of these changes in certain future situations, both those of an external nature and those arising from strategic decisions, are assessed to establish measures that place the profile and the amount of the credit portfolio within the parameters established by the Executive Committee.

PROVISIONS

Banco Santander makes provisions in compliance with the current legislation of Brazil's Central Bank (BACEN), CMN Resolutions 2.682/1999 and 2.697/2000, and Central Bank Circular Letter 2.899/2000, which classifies credit transactions by rating and determines the minimum percentage of provision required (Note 8.e).

The charts below illustrate the level of coverage for default, which represents the amount accrued in relation to the balance of non-performing loans.

COVERAGE (OVER 90 DAYS)



CREDIT RECOVERY

The 2012, the economic scenario led Santander to pay special attention to credit recovery tools, given the difficulties companies and individuals faced in fulfilling their obligations. We used several different mechanisms to reduce costs and increase recovery rates. One of these tools was behavioral scoring to assess collection performance from certain groups.

Clients with a high likelihood of making good on their loans are classified as low risk. In turn, clients who are unlikely to effect payment are classified as high risk and are monitored more closely. All clients with overdue payments or rescaled credit are subject to internal restrictions.

The selection of collection channels is done through analyses that show greater efficiency in recovery. As soon as a client becomes in arrears, a more intense collection model is adopted, including specific strategies and closer internal monitoring. Several channels are activated in an attempt to recover the client. These include service centers, collection via mail and the branch network, and credit blacklisting.

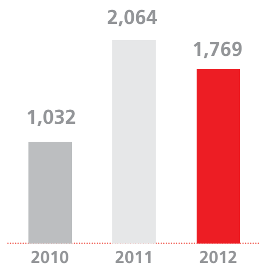
In cases where loans have been overdue for more than 60 days or for those that involve larger amounts, specialist internal loan restructuring and credit recovery teams make direct contact with client in default. In the case of lesser amounts or longer overdue periods, collection is entrusted to third-party specialist firms, using both administrative and judicial channels.

In 2012, the total amount of credit write-offs recovered was one of the best recorded by Santander, although below the level recorded in 2011 which represented an extraordinary level. This reduction was partly due to the smaller volume of the loss portfolio.

The chart below shows the amount of credit write-offs recovered in 2012:

RECOVERY OF CREDIT WRITTEN OFF AS LOSS

(R$ million)



SOCIAL AND ENVIRONMENTAL RISK FS1 FS2

The granting of credit to Legal Entity clients with limits equal to or greater than R$ 1 million, present in the capital market, is also subject to an opinion by the Social Environmental Risk Department. Every 12 months, a social and environmental reassessment of clients is conducted, along with a renewal of their credit assessment.

Santander applies the social environmental criteria of the Equator Principles for the analysis, financing, or advisory services involving new projects valued at US$ 10 million or more in the project finance sector.

Whenever a social environmental non-conformity is detected in a client's activities, we work collectively to deal with the problem while ensuring compliance with the applicable laws, agreements, and contracts. We assessed 2,101 companies and operations and over 34 project finance and real estate finance projects in 2012. We rejected one company and one real-estate venture based on our social environmental criteria.

The Superintendent of Social Environmental Risk (center), Christopher Wells, with the Tecnisa team during the analysis of the Jardim das Perdizes development.

Our experience shows there is a frequent connection between social environmental problems and financial issues. Failure to comply with social environmental requirements may result in a reduction in cash flow, loss of assets, and the risk of damaging the company's image. Businesses that ensure the well-being of both their employees and the environment where they operate tend to have more efficient management and, therefore, more chance of honoring their financial commitments and generating good business.

We were the first company in Brazil to implement social environmental risk screening for the approval of new corporate clients. In 2012, the Compliance Department submitted 15 cases for the opening or maintaining of relationships for assessment by the Social Environmental Risk Department. Of these, the Social Environmental Risk Department recommended denying the relationship of seven of these cases.

We also invested in the training of 100 employees, most of whom were from the Wholesale and Risk Departments, to enable them to detect social environmental problems and opportunities in the relationship with clients.

In addition to minimizing business risk, social environmental analysis prevents the bank from being held jointly liable for financing activities that place public health and the environment at risk.

A SUSTAINABLE PARTNERSHIP

Jardim das Perdizes is a development created by Tecnisa Construtora e Incorporadora and PDG Incorporadora, financed by Santander and located in the district of Barra Funda, in the western region of the city of Sao Paulo. Thirty towers will be built in an area of 250,000 m², in addition to a park with a large area of green space. This is one of the first projects of its kind to be awarded the AQUA (Brazilian acronym for High Environmental Quality) sustainable construction certification.

The area is being developed in a lot that had been abandoned for years and served as a dump for debris. The background of the region, largely industrial, and of the lot led the bank's Social Environmental Risk Department to conduct a thorough analysis of the soil and the infiltration of contaminants into the water table, among other factors.

"Santander has been encouraging the financial market to adopt an increasingly thorough assessment for the concession of loans. Our partnership enables us to put carefully designed social environmental solutions into practice, beyond those required by the law. We believe that our company, as well as the bank, is bringing the best environmental practices to the market," declared Fábio Villa Bôas, technical executive director of Tecnisa.

EXAMPLES OF ACTIVITIES CONDUCTED BY THE SOCIAL ENVIRONMENTAL RISK DEPARTMENT IN 2012

Client/project sector	Issue addressed*	Actions taken
A company operating in the pig iron sector in the Amazon region	Reports on the illegal origin of the charcoal used	During the visit to the plant, senior management presented the controls for the origin of charcoal. We continue working with this company.
An individual in the Midwest region	Involvement with illegal deforestation	We recommended terminating the relationship.
A residential development in a large city	A decommissioned gas station with contaminated soil	We worked jointly with the client and an environmental consulting firm to ensure that the contaminated soil had been removed and properly treated.
A residential development in a large city	Contamination of the soil from a neighboring lot	We created social environmental requirements for the loan. The client chose to seek financing with another bank.
A company from the food sector	A high rate of work-related accidents	Our health and safety specialist visited the premises and made recommendations for improvements.
A utilities company	Work-related accidents	The company invited our health and safety specialist to deliver lectures to managers.
An integrated steel mill	Problems with the environmental regulatory agency	We visited the plant to understand how the company is addressing the problem.
A sugar mill	Inadequate working hours for suppliers	We provided the client with guidance on how to improve control of suppliers. The client created the social environmental manager position.

* The issues addressed may have to do with compliance with the bank's social environmental risk practices, the Green Protocol, the Equator Principles, the National Agreement for the Eradication of Bonded Labor, or any combination thereof.

MARKET RISK

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

- trading of financial instruments involving risks with interest rates, foreign exchange rates, share prices, and volatility
- retail banking activities involving risk with interest rates, given that variations in interest rates affect revenue, expenses with interest, and client behavior
- investment in assets (including subsidiaries) with returns or accounts denominated in foreign currencies, thereby involving risk with exchange rate
- investments in subsidiary companies and other businesses, exposing the bank to share price risk

MARKET RISK LIMIT STRUCTURE

Market risk limit structure 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 risk profiles to the business segments, in tandem with risk assessment by top management, in order to keep business segments from assuming undesired risks
- providing flexibility to the business segments by defining risk positions that are sensitive to changes in the market and to the business strategies of the bank in a timely and efficient manner, within the risk levels acceptable to Grupo Santander
- defining the range of products and underlying assets with which the Treasury can operate, taking into account the bank's risk assessment models and systems

STATISTICAL TOOLS FOR THE CALCULATION AND MANAGEMENT OF MARKET RISK

VAR MODEL

Locally, Santander uses a number of statistical and mathematical models, including VaR (Value at Risk), a historical simulation and stress testing model for measuring, monitoring, and managing market risk.

VaR, as it is calculated by the bank, is an estimate of the maximum loss the bank would incur in one day in a given portfolio for 99% of the time, taking into consideration the assumptions and limitations discussed later in this report.

Moreover, it is an estimate of the loss Santander would expect to exceed 1% of the time only, or approximately three days a year.

Santander's 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 a smaller weight to observations as they become more distant in time.

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

ASSUMPTIONS AND LIMITATIONS

Santander's VaR methodology should be interpreted based on the following limitations:

- The one-day time frame might not fully reflect the market risk of positions that cannot be settled or protected through hedging within one day.
- VaR is currently calculated at the close of business, and trading positions can change substantially during the trading day.

ANALYSIS OF SCENARIOS AND ADJUSTMENT MECHANISMS

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

BALANCE SHEET MANAGEMENT

INTEREST RATE RISK

Santander analyzes the sensitivity of the net interest margin and the market value of shares to shifts in interest rates.
This sensitivity is a result of discrepancies between the maturity and the interest rates in the various asset and liability accounts.
In the case of products with no stated contractual maturities, we use certain repricing hypotheses or internal models based on the economic environment (financial and commercial).

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

DISCREPANCIES BETWEEN INTEREST RATES FOR ASSETS AND LIABILITIES

The analysis of any discrepancies between interest rates refers to any mismatching or discrepancies between the variations in the value of assets, liabilities, and off-balance sheet items. Analysis of the discrepancies provides a basic picture of the balance sheet structure and ensures the detection of any interest rate risk in accordance with the concentration of maturities. It is also a useful tool to estimate the impact of future interest rate fluctuations on net interest margins or on equity.

SENSITIVITY OF THE NET INTEREST MARGIN

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

MARKET VALUE OF EQUITY SENSITIVITY

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

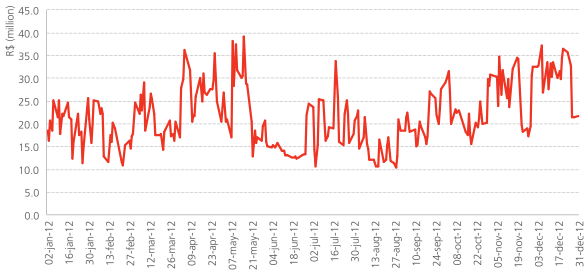
VALUE AT RISK

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

QUANTITATIVE ANALYSIS OF TRADING ACTIVITIES

QUANTITATIVE ANALYSIS OF DAILY VAR IN 2012

The chart below shows the bank's performance in relation to the risk associated with the activities held for trading in the financial markets in 2012, measured by daily VaR.



VaR fluctuated between R$ 10 million and R$ 40 million throughout 2012. The fluctuation depicted in the chart above was basically due to changes in the positions of trading activity throughout the year.

VaR remained between R$ 14.9 million and R$ 28.4 million on 66% of the days in 2012. The average VaR for 2012 was R$ 21.7 million, an amount very similar to that of 2011.

The table below shows the total daily VaR of Santander's trading portfolio on December 31, 2011 and some values for 2012.

ON DECEMBER 30 (IN R$ MILLION)

	2011				2012
		Minimum	Medium	Maximum	Closing
Trading activity	19.8	10.4	21.7	39.2	21.63

OPERATIONAL AND TECHNOLOGICAL RISKS AND BUSINESS CONTINUITY MANAGEMENT

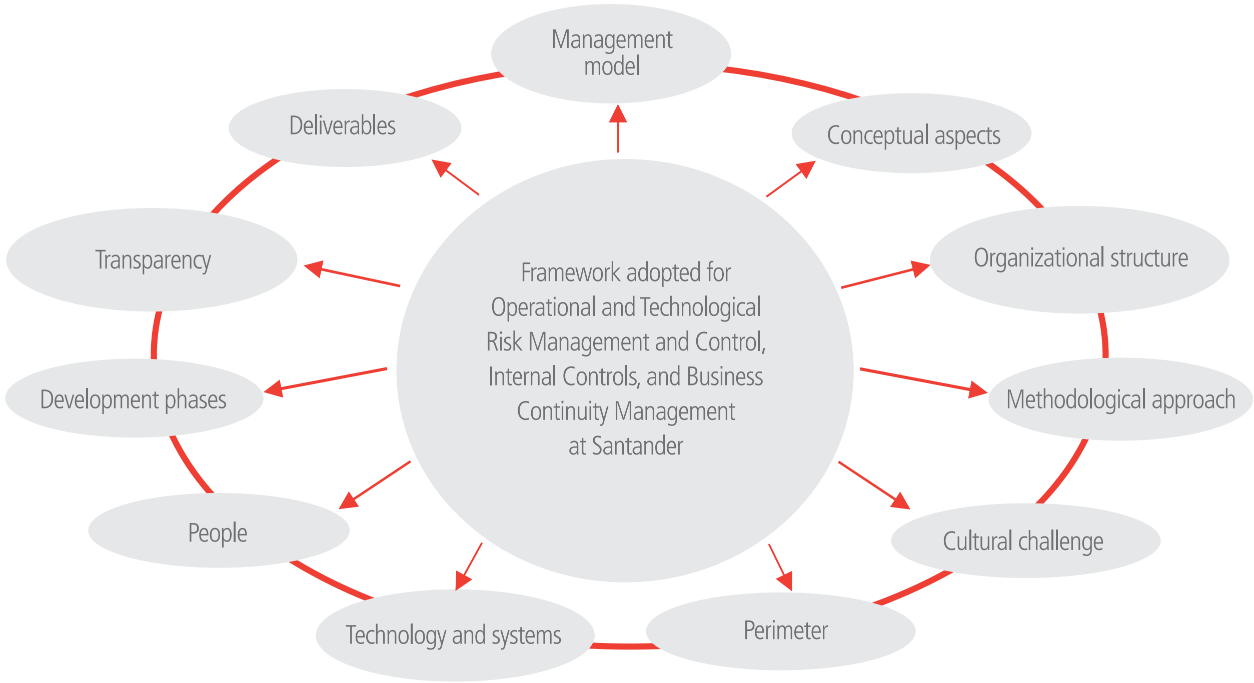
Santander implemented a model for the management and control of technological and operational risks, which aims to ensure its adoption by managers in their day-to-day activities, alignment with the global guidelines of the organization, and compliance with the requirements of the New Basel Accords (Basel II), the demands of Central Bank, of CVM, and of SUSEP.

In line with the domestic and international standards and regulations of the banking system, Santander considers operational risks those resulting from failures or deficiencies in internal processes, staff, and systems, or those arising from exposure to external events, which may or may not cause financial loss, affect the continuity of the businesses, or negatively impact our stakeholders.

In 2012, we strove to apply and implement improvements to mitigate any events involving operational risk through the following activities::

- Generation of the residual risk map and evaluation of the internal controls environment, resulting in improvements in efficiency and quality of day-to-day processes.
- Enhancement of the tests for the response to technological incidents in 2012, in addition to the creation of the Crisis Situation Command Center, coordinated by the Head of Operational and Technological Risks and entrusted to a multidisciplinary team, generating synergy in the activities and more effective results.
- Implementation of enhanced security measures in transactional channels, resulting in the strengthening and tranquility of users of these channels.

Meeting of the Risk Committee held at the Santander Tower.



MANAGEMENT MODEL

Santander has developed and implemented a model that takes different aspects into account in order to deal with the challenges ahead. This model contributes to the dissemination of a culture of operational risks at the various hierarchical levels of the bank. Thus, the preventive treatment of these events at Santander Brazil has become a benchmark model for the Group.

The framework comprises the following areas:

Operational Risk Department: comprises the areas of information security, special occurrences, intelligence and fraud prevention, and operational and technological risks (which encompasses business continuity). Among the responsibilities of these areas are the commitment to disseminate culture and to establish methodologies, standards, policies, tools, training activities, and procedures—reasonable and enforceable—for the effective and efficient management and control of operational risk. The Operational Risk Department employs norms, methodologies, and an internal model based on the best market practices for the identification, assessment, monitoring, management, and control of operational risk.

Department of Information Security: in charge of the establishment and dissemination of security policies, standards, and projects, aiming to protect the bank's information assets based on best global practices in information security and adherence to Grupo Santander procedures. This area conducts security reviews and participates in technological projects under the scope of systems security, defines access control models, and implements controls for the mitigation of security risks in the business areas. The department holds awareness programs for employees and associates of the group on matters of information security.

Department of Special Occurrences: in charge of the prevention, detection, and investigation of internal and external fraud, dealing with incidents involving normative and behavioral deviances, advising managers on procedures, creating specific processes for the identification of abnormalities, and recommending solutions and proposals to improve internal controls. This department also interacts with other areas in the development of preventive alerts in the branch network and centralized areas, with the aim of preparing employees to fight fraud and avoid losses.

Department of Intelligence and Fraud Prevention : in charge of preventing, analyzing, and controlling external fraud, reducing losses, and increasing the security of relationship channels. This department also conducts monitoring and reaction activities, identifying trends and new attacks and the creation and implementation of anti-fraud strategy in channels, while proposing and facilitating the development of solutions for the prevention and fight against fraud.

Department of Operational and Technological Risk: in charge of the implementation of best practices in the management and control of operational and technological risks and the management of business continuity. This department helps identify, assess, monitor, and mitigate operational risks; strengthen the internal controls environment and identify improvements; and work for the continuity of activities, thereby resulting in a reduction of deviations from the bank's strategic goals.

PERFORMANCE IN THE AREA OF OPERATIONAL AND TECHNOLOGICAL RISKS

Santander works with both a centralized and decentralized approach to the management of operational risks while focusing on two main factors: qualitative and quantitative.

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

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

Both approaches are responsible for providing methodologies, tools, and systems to assist managers in the identification and evaluation of risks and controls. Furthermore, 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.

In this way, the risk analysis can be obtained, identifying the main causes and coordinating, along with the managers responsible, the effective implementation of action plans to mitigate and reduce risks and operational losses.

Furthermore, the combination of these approaches generates synergy and optimization through the convergence of operational and technological risk management and business continuity, with a direct impact on the determination of economic and regulatory capital.

KEY METHODOLOGY TOOLS

Operational and Technological Risk Matrix: a customized tool used to identify and validate operational risk, its causes, and the existing control procedures in activities and processes.

Summarized Matrix of Operational and Technological Risk for New Products: a tool used to identify and validate existing operational risks and internal controls before the launch of new banking products and services, in addition to addressing conditions and recommendations.

Self-Assessment Questionnaires (general and specific): a corporate tool used to identify management perceptions in relation to the control environment in which they work, from a management and operational risk control standpoint, allowing for the definition of the criticality of the operating environment.

Internal Historical Database of Events and Loss through Operational Risk: contributes to the definition of 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 through Operational Risk: this process ensures the commitment of the main areas in relation to forecasts and limits for any losses through operational risk in each fiscal period, including the monitoring and timely analysis of any fluctuations observed, anticipating the recommendation of action plans by the Operational and Technological Risk Department in order to correct deviations, whenever necessary.

Analysis and Treatment of Material Failures and Occurrences: a process developed and introduced for the timely detection of actual material occurrences and failures, aimed at taking corrective action and adequate preventive treatment in order to minimize the impact upon the bank's stakeholders.

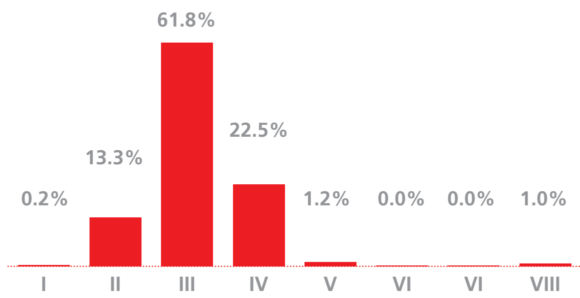
Identification and Monitoring of Action Plans for the Mitigation of Operational Risk Events and Material Occurrences : a process designed to control and monitor the implementation of action plans identified in the determination of failures and relevant occurrences.

Key Operational Risk Indicators: a tool designed to identify any relative and absolute trends and deviations, taking into account internal and external variables of volume, thereby creating a panel of key operational risk indicators customized to the needs of Santander.

FREQUENCY AND SEVERITY OF LOSS DUE TO OPERATIONAL RISKS

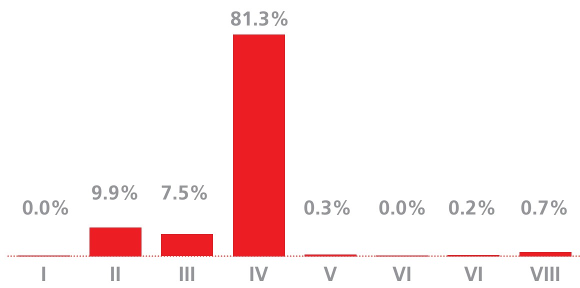
Distribution of frequency and severity of loss due to operational risks determined in the 2012 fiscal year, according to the Basel II Loss Event Category.

LOSS DUE TO OPERATIONAL RISKS – SEVERITY 2012



I. Internal Fraud
II. External fraud
III Inadequate labor and occupational safety practices
IV. Inadequate practices concerning clients, products, and services
V. Property damage
VI. Interruption of the institution's activities
VII. Failures in the IT systemsVIII. Failures in execution, delivery, process, and activity & process management

LOSS DUE TO OPERATIONAL RISKS – FREQUENCY 2012



I. Internal Fraud
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IV. Inadequate practices concerning clients, products, and services
V. Property damage
VI. Interruption of the institution's activities
VII. Failures in the IT systems
VIII. Failures in execution, delivery, process, and activity & process management

MANAGEMENT AND CONTROL OF TECHNOLOGICAL RISKS

This process is designed to assist managers in the identification and assessment of technological risks and respective internal controls, specific to the processes and activities related to technology. It defines methodologies and tools for the corporate management of technological risks and coordination of activities aimed at preventing and reducing the frequency and severity of events.

MANAGEMENT AND CONTROL OF BUSINESS CONTINUITY RISK

Designed to coordinate and control the implementation, maintenance, and updating of the Business Continuity Management (GCN in the Brazilian acronym) 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, identifying 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 impact that a possible disruption in activities resulting from extreme events could have on the Company.

BIA (Business Impact Analysis): a stage of the Business Continuity Management methodology to identify the impacts and recovery needs that would be generated by any extreme operational risk events and that could result in the interruption of the business activities of the different areas of the Organization.

Business Continuity Plan: a guide to the business area documenting and approving a strategic response to emergencies and the resumption of the bank's vital functions at an alternative location within the required time frame.

Contingency Activation Tests: BCP testing is conducted on an annual basis or whenever significant changes occur in the business environment, aiming to control the results in order to adapt the procedures adopted to the new changes.

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

SCOPE

The scope of management and control of operational and technological risk and business continuity management at Santander exceeds the allocation and calculation of regulatory capital. Such control guarantees major achievements for the bank, including:

- improvements in operational and productive efficiency in activities and processes and optimization of the allocation of regulatory and economic capital
- compliance with existing regulations: BACEN, CVM, SUSEP and Basel-II, in addition to new requirements and the monitoring of timely compliance with any requests issued by regulatory entities
- strengthening of the bank's reputation and improvements in the Risk x Return ratio for the bank's stakeholders
- timely adaptation to the new requirements of the regulatory agencies
- maintenance and preservation of the quality and trustworthiness of the products and services provided and of the related parties
- identification and timely correction of any vulnerabilities detected in processes and holding of tests for business continuity and disaster recovery
- development and implementation of online and classroom training courses, aimed at the dissemination of the culture of operational, technological, and BCM risk
- dissemination of the culture of management and control of operational risks by means of internal communication (intranet, printed material and other media), with focus on accountability.

DIFFERENTIAL FACTOR

The operational risk department focuses on the development, training, and updating of its employees to enable them to face the changes identified in the business environment, as well as provide training activities for other employees in the form of classroom and intranet courses.

These initiatives make a significant contribution to Santander achieving its strategic and operational goals in a consistent manner. With knowledge of exposure to operational risks and a controlled environment, the bank maintains a risk profile regarded as low while ensuring the sustainable development of its operations. The key initiatives are:

- holding the Week for the Prevention and Control of Operational and Technological Risk on an annual basis
- the new employee guidance program, "A Single Voice", which includes lectures and audio-visual classes on responsibility and involvement with operational risk management
- training sessions on the procedures required to assess the internal controls environment
- mandatory training activities for all Santander employees on operational risks and the continuity of business, in the form of Netcourses
- creation, disclosure, and updating of instruction manuals, thereby ensuring the commitment of everyone through corporate dissemination.
- coordination of the annual process to prepare forecasts of losses due to operational risk, definition of action plans to reduce such losses, and accountability
- development of key risk indicators, aimed at obtaining absolute and relative analyses based on market volume and analysis
- integration with the other areas of the bank while electing representatives for key areas, including technology.

CAPITAL ALLOCATION

Considering the methodology in place, Santander meets the requirements of the National Monetary Council Resolution 3380, of June 29, 2006, which governs the implementation of the operational risk management framework within financial institutions, and which has been using the Standardized Alternative Approach for the calculation of the Tranche of Capital for Operational Risks (POPR) since July 1, 2008.

REGULATORY CAPITAL BY BUSINESS LINE

CONSUMPTION BY BUSINESS LINE		
LN1	Corporate finance	3.2%
LN2	Trading and sales	0.0%
LN3	Retail bank	17.3%
LN4	Commercial bank	40.7%
LN5	Payment and settlement	18.1%
LN6	Branch service	12.5%
LN7	Asset management	7.4%
LN8	Retail brokerage	0.8%
Total		100.0%

FUTURE OUTLOOK

As a result of the framework, methodology, and management model developed and adopted, proven through the implementation of an efficient environment of internal controls and detection of exposure to risk, the strengthening of Banco Santander is expected both locally and abroad. The consolidation of this strategy will ensure that the bank continues to be regarded as a benchmark institution in terms of risk management and control involving operations, technology, and business continuity.

SCENARIO

MACROECONOMIC ENVIRONMENT

LOW LEVELS OF ECONOMIC GROWTH CONTINUED THROUGHOUT 2012, DESPITE THE GROWTH IN EMPLOYMENT AND INCOME

After a poor performance in 2011, the Brazilian economy had another disappointing year in 2012. GDP increased by 0.9% for the year after having risen 2.7% the previous year. This additional loss of pace was due to a continued reduction in investments, despite lower interest rate levels and the depreciated foreign exchange rate. This led to a meager increase in domestic demand, despite the rise in employment and income. In terms of sectors, industry was once again the low point and recorded a drop for the year. The services sector also performed poorly.

Inflation fluctuated over the year. The reversal in commodity prices, an excellent sugar cane harvest, and the reduction in the IPI (excise tax) for automobiles in the first six months of the year helped sustain the downward trend in prices. However, domestic demand placed renewed pressure on the price index in the second half of the year, reversing the trend seen in the first six months. Consumer price index (IPCA) inflation for the 12-month period amounted to 5.8%, slightly below the upper limit of expected inflation (4.5%, with a leeway of plus or minus two percentage points). The prices of services and perishable goods were largely responsible for this trend, increasing 8.7% and 8.5% respectively due to the rising cost of labor and food. Wholesale prices rose even more due to the depreciation of the foreign exchange rate in the 4Q of 2012.

The deterioration of the international scenario and the relative fall in inflation and activity were reflected in the monetary easing measures taken by the Central Bank; the goal for the benchmark interest rate (SELIC) was reduced from 11% p.a. to 7.25% p.a. in October as a means of stimulating the economy and expanding credit. The total credit supplied by the financial system reached R$ 2.4 trillion at the end of 2012 (53.5% of the GDP), a 16% increase in 12 months. The increase in mortgage loans (38.2% in 12 months) continued to lead the way as compared with other types of loans. However, it should be pointed out that this is only equivalent to 6.9% of the GDP and is not particularly representative.

Delinquency increased throughout 2012, but fell to 3.7% at the end of the year—slightly above the 3.6% recorded at the close of 2011.

In spite of the adverse international scenario, Brazil once again recorded a positive balance of trade of US $19.4 billion in 2012, but below the US $29.8 billion surplus registered in 2011. There was a slight change in the price of commodities over the year, at lower levels than in 2011, which precluded a stronger recovery in exports. Stagnant domestic activity limited imports (a 4.5% drop), in addition to net expenditure in relation to services and income, which fell from US $85.3 billion to US $76.5 billion for the year. As a result, the accrued checking account deficit for the 12-month period rose slightly, closing 2012 at US $54.2 billion (2.4% of the GDP).

Direct foreign investment remained steady throughout the year, despite the downturn in global growth, amounting to US $65.3 billion in 2012—more than required to offset the checking account deficit. The crisis in the international markets seems to have partially affected other sources of external financing—such as portfolio investment and certain types of foreign loans—but this trend was reversed in the final quarter of 2012. Access to international credit is still sufficient to finance Brazil's external needs. International reserves closed 2012 at US $378.6 billion, providing a comfortable cushion against the international crisis. Nevertheless, the worsening external scenario has maintained the Real under a certain pressure. The foreign exchange rate closed the year at R$2.04/US$.

As a result of the poor activity in tax revenue and greater expenditure aimed at boosting the economy, the balance of trade surplus for 2012 amounted to 2.4% of the GDP, below the target of 3.1%, but still sufficient to balance the governmental accounts. Taking into account the payment of interest on the governmental debt, the needs of governmental sector financing totaled 2.5% of the GDP for the same period. Fiscal efforts, together with a certain economic growth and the currency devaluation (given that the governmental sector is now a net creditor in foreign currency) resulted in the net debt of the governmental sector registering 35.1% of the GDP at the close of 2012, below the 36.5% recorded at the close of 2011. The positive performance of the government's financial accounts reinforces the positive outlook for the Brazilian economy, which has proven capable of dealing with the turbulence of the international crisis with no substantial risk of fiscal problems or the balance of payments, while maintaining economic growth, albeit at a slower pace.

ECONOMIC-FINANCIAL INDICATORS

	4Q12	4Q11
Country risk (EMBI)	142	223
Exchange rate (R$/US$ end of period)	2.044	1.876
IPCA (in 12 months)	5.84%	6.50%
SELIC rate - target (p.a)	7.25%	11.00%
CDI[1]	1.69%	2.67%
Ibovespa Index (closing)	60,952	56,754

[1] Effective in the quarter

CONSOLIDATED ECONOMIC-FINANCIAL INFORMATION BR GAAP

CONSIDERATIONS

In early 2012, Banco Santander adopted the BR GAAP standards to disclose its financial statements to the market, thereby meeting the request of the investor community.

MANAGERIAL ANALYSIS[1] - BR GAAP	2012	2011	VAR. 2012X2011
RESULTS (R$ million)			
Net interest income	32,380	28,078	15.3%
Fee and commission income	10,025	8,950	12.0%
Allowance for loan losses	(13,223)	(9,458)	39.8%
General expenses[2]	(15,821)	(14,430)	9.6%
Managerial net profit[3]	**6,329**	**6,661**	**-5.0%**
Accounting net profit	**2,692**	**3,557**	**-24.3%**
BALANCE SHEET (R$ million)			
Total assets	447,353	423,726	5.6%
Securities	76,832	74,616	3.0%
Loan portfolio	211,959	197,062	7.6%
Individuals	71,287	65,620	8.6%
Consumer finance	36,806	35,593	3.4%
Small and medium enterprises	36,487	31,868	14.5%
Corporate	67,379	63,981	5.3%
Expanded credit portfolio[4]	227,392	210,522	8.0%
Funding from clients[5]	199,193	179,831	10.8%
Equity[6]	52,932	49,004	8.0%
PERFORMANCE INDICATORS (%)			
Return on average equity excluding goodwill[6] - annualized	12.4%	14.3%	-2.0 p.p.
Return on average asset excluding goodwill[6] - annualized	1.5%	1.7%	-0.2 p.p.
Efficiency ratio[7]	44.3%	46.8%	-2.5 p.p.
Recurrence ratio[8]	63.4%	62.0%	1.3 p.p.
BIS ratio[9]	20.8%	24.8%	-4.0 p.p.
PORTFOLIO QUALITY INDICATORS (%)			
Delinquency (over 90 days)	5.5%	4.5%	1.0 p.p.
Delinquency (over 60 days)	6.6%	5.5%	1.1 p.p.
Coverage ratio (over 90 days)	125.6%	136.8%	-11.2 p.p.
OTHER DATA			
Assets under management - AUM[10] (R$ million)	134,935	128,397	5.1%
Number of credit and debit cards (in thousands)	48,362	41,699	16.0%
Branches	2,407	2,355	52
PABs (Mini branches)	1,381	1,420	(39)
ATMs	17,793	18,419	(626)
Total customers (in thousands)	27,315	25,299	2,017
Total current accounts[11] (in thousands)	20,789	19,322	1,467
Employees	53,992	54,564	(572)

(1) Excludes 100% of the goodwill amortization expense and the tax hedge effect, and considers the reclassification of credit recovery, as mentioned on page 28.
(2) Administrative Expenses exclude 100% of the goodwill amortization expense, from the acquisition of Banco Real and personnel expenses includes profit sharing.
(3) Managerial net profit corresponds to the accounting net profit + 100% of reversal of goodwill amortization expense ocurred in the period. The expense of goodwill amortization in 4Q12 was R$ 909 million, in 4Q11 was R$ 776 million and in 3Q12 was R$ 909 million.
(4) Includes other Credit Risk Transactions with clients ("Debenture", FIDC, CRI, Floating Rate Notes, Promissory Notes and Acquiring activities related assets).
(5) Includes savings, demand deposits, time deposits, debenture, LCA, LCI and Treasury Notes (Letras Financeiras - LFT).
(6) Excludes 100% of the goodwill from the acquisition of Banco Real, that in 4Q12 was R$ 12,937 million, 4Q11 R$ 16,574 million and 3Q12 R$ 13,847 million.
(7) Efficiency Ratio: General Expenses / (Net Interest Income + Fee and Commission Income + Tax Expenses + Other Operating Income/Expense)
(8) Recurrence: Fee and Commission Income / General expenses.
(9) BIS Ratio as of Brazilian Central Bank. Excluding 100% of the goodwill: 17.7% on Dec/12, 20.2% on Dec/11, 18.6% on Sep/12.
(10) According to Anbima (Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais) criterion.
(11) Total current account according to the Brazilian Central Bank.

STRATEGY

Santander's strategy continues to be based on the following objectives:

- to be the best bank in terms of quality of service, based on the operational efficiency of the technological platform;
- to improve customer service by means of the quality of the services provided and the infrastructure;
- to intensify the relationship with all client segments to ensure Santander is their bank of choice;
- to increase business in key segments such as SMEs, issuer cards, acquirer, real estate financing, vehicle financing, and insurance; to take full advantage of cross-sale opportunities for products and services;
- to continue building and strengthening the Santander brand in Brazil to ensure the bank is ranked among the TOP 3 financial brands;
- and to maintain the prudent risk management.

Banco Santander Brazil shares the best Grupo Santander global practices, thereby setting its business model apart, and is based on five main pillars: 1) Client-oriented; 2) A global franchise; 3) Cost efficiency; 4) Prudent risk management; and 5) Solid balance sheet.

Banco Santander Brazil has a BIS ratio of 20.8% and is the most capitalized bank among the large retail banks. It enjoys extremely comfortable liquidity and coverage levels and independent funding and capital in relation to its controlling shareholder. For these and other reasons, the Bloomberg Markets magazine ranked Santander the 11th soundest bank in the world and the 1st among Brazilian banks.

In its strategy to become the best and most efficient universal bank in Brazil, several improvements have been implemented, among them:

- Optimization of credit assessment processes, generating greater agility and autonomy in the branch network

- Simplification of documentation processes, reducing the response time for mortgage loans applications

- Expansion of access channels to *Santander Móvel* (Santander Mobile)

All these initiatives are in line with Santander's mission statement: "To be our customer's choice for being simple and safe, efficient and profitable bank, that constantly seeks to improve the quality of every services, with a team that enjoys working together to conquer everyone's recognition and trust." Certain positive results have already come to the fore: Banco Santander Brazil has significantly improved its position in the Central Bank ranking of complaints, dropping from second in December 2011 to fifth in December 2012.

Another fact worthy of mention is the acknowledgement given to Santander Brazil's performance on sustainability. The strategy, based on three main pillars—social and financial inclusion, education, and social and environmental businesses—was acknowledged by the market. In September, the bank was chosen the greenest company in the "Financial Institution" category, and was ranked among the 20 companies with the best environmental practices for the Prêmio Época Empresa Verde (Época Green Company Award) promoted by Editora Globo. And in October, Santander Brazil was chosen the greenest company in the world by the American magazine Newsweek in the fourth edition of Green Rankings 2012: Global Companies.

EXECUTIVE SUMMARY

Banco Santander reported a managerial net profit[1] of R$ 6,329 million in 2012, a drop of 5.0% YOY. Total equity in December 2012 was R$ 52,932 million, excluding R$ 12,937 million in goodwill from the acquisition of Banco Real. Return on average equity adjusted for the goodwill registered 12.4% in 2012, a drop of 2.0 p.p. YOY.

The efficiency ratio reached 44.3% in 2012, up by 2.5 p.p. in 12 months. This was largely due to the increase in revenue (gross interest margin + 15.3%, fee and commission income + 12%), as well as control of general expenses (+9.6%) in the same period.

- **Financial soundness indicators:** The BIS ratio reached 20.8% in December 2012, a drop of 4.0 p.p. in 12 months. The coverage ratio (over 90 days) reached 125.6% in December 2012.

The loan portfolio totaled R$ 211,959 million in December 2012, up 7.6% for the twelve-month period FS6

The segment for individuals totaled R$ 71,287 million, an increase of 8.6% in 12 months. The best performing products in the portfolio were mortgages (+26.6% or R$ 2.481 million) and credit cards (+14.4% or R$ 2,030 million).

The consumer finance portfolio totaled R$ 36,806 million in December, up 3.4% over a 12-month period. The SME portfolio amounted to R$ 36,487 million over the same period, up 14.5%. The Corporate segment grew by 5.3% in twelve months. Total funding and assets under management[2] reached R$ 352,463 million in December 2012, a growth of 14.1% YOY.

MANAGERIAL ANALYSIS OF THE RESULTS

An analysis of the managerial results follows below. The reconciliation between the accounting and managerial statement is shown on page 67.

MANAGERIAL INCOME STATEMENT[(1)] (R$ MILLION)	2012	2011	VAR. 2012X2011
Net interest income	**32,380**	**28,078**	**15.3%**
Allowance for loan losses	(13,223)	(9,458)	39.8%
Net interest income after loan losses	**19,158**	**18,619**	**2.9%**
Fee and commission income	10,025	8,950	12.0%
General expenses	(15,821)	(14,430)	9.6%
Personnel and profit sharing expenses	(7,277)	(6,748)	7.8%
Other administrative expenses[(2)]	(8,544)	(7,682)	11.2%
Tax expenses	(3,138)	(2,959)	6.1%
Investments in affliates and subsidiaries	1	4	n.a.
Other operating income/expanses[(3)]	(3,566)	(3,219)	10.8%
Operating results	**6,659**	**6,966**	**-4.4%**
Non-operating results	70	306	-77.3%
Income before tax	**6,729**	**7,272**	**-7.5%**
Income tax and social contribution	(274)	(531)	-48.4%
Interest of minority shareholders	(126)	(81)	56.3%
Net profit	**6,329**	**6,661**	**-5.0%**

(1) Excludes 100% of expenses with amortization of goodwill and the effect of fiscal hedging, and includes the reclassification of credit recovery, as shown on page 67.
(2) Administrative expenses less 100% of expenses with amortization of goodwill associated with the acquisition of Banco Real.
(3) Includes income from net premiums, pension funds and Capitalization.

(1) Accounting net profit + reversal of 100% of expenses for the amortization of goodwill.
(2) In accordance with ANBIMA criterion.

NET INTEREST INCOME

Net interest income, including income from financial operations, totaled R$ 32,380 million in 2012, an increase of 15.3% YOY.

Revenues from credit operations increased by 15.6% in the twelve-month period, largely due to the R$ 26 billion increase in the average portfolio volume. It should also be pointed out that the average portfolio spread in 2012 was 0.1 p.p. higher YOY.

Revenues from deposits registered a drop of 22.3% in the twelve month-period. This is partly due to the impact of the reduction in the SELIC rate in the difference between the SELIC rate and the rates paid to clients.

The line corresponding to "Others," which includes non-client related interest income and income from financial operations, registered an increase of 21.6% in 12 months.

NET INTEREST INCOME (R$ MILLION)	2012	2011	VAR. 2012X2011
Net interest income	**32,380**	**28,078**	**15.3%**
Loans	**24,805**	**21,455**	**15.6%**
Average volume	202,632	176,597	14.7%
Spread (p.a.)	12.2%	12.1%	0.09 p.p.
Deposits	**850**	**1,094**	**-22.3%**
Average volume	119,691	117,029	2.3%
Spread (p.a.)	0.7%	0.9%	-0.22 p.p.
Others(1)	**6,726**	**5,529**	**21.6%**

(1) Includes gains (losses) on financial transations and others net interest income.

FEE AND COMMISSION INCOME

Fee and commission income amounted to R$ 10,025 million in 2012, up 12.0% in 12 months, boosted mainly by credit cards.

Commissions with credit cards totaled R$ 3,004 million in 2012, an increase of 38.3% (or R$ 831 million) in 12 months. This growth was largely due to the increase in credit card transactions and higher revenue from acquiring services.

Commissions from current account services amounted to R$ 1,612 million in 2012, an increase of 7.2% (or R$ 109 million) in 12 months.

Commissions from lending operations totaled R$ 1,029 million, a drop of 0.9% in 12 months. Commissions from brokerage services amounted to R$ 416 million in 2012, down 12.7% in 12 months.

FEE AND COMMISSION INCOME (R$ MILLION)	2012	2011	VAR. 2012X2011
Cards(1)	3,004	2,173	38.3%
Insurance fees	1,461	1,403	4.1%
Current account services	1,612	1,503	7.2%
Asset management(2)	1,269	1,280	-0.9%
Lending operations	1,029	1,038	-0.9%
Collection Services(3)	721	633	13.8%
Securities brokerage, custody and placement services	416	476	-12.7%
Others	514	443	15.9%
Total	**10,025**	**8,950**	**12.0%**

(1) Includes acquiring services.
(2) Includes income from funds and consortia.
(3) Includes collection and bills.

GENERAL EXPENSES (ADMINISTRATIVE + PERSONNEL)

Administrative expenses and expenses for personnel, excluding depreciation and amortization, amounted to R$14,130 million in 2012, up 7.9% (or R$ 1,035 million) in 12 months.

Expenses for personnel, including profit sharing, amounted to R$ 7,277 million in 2012, increasing 7.8% (or R$529 million) in 12 months. This was largely due to the increase in expenses for salaries and benefits agreed upon under the annual collective bargaining agreement.

Administrative expenses, excluding depreciation and amortization, amounted to R$ 6,853 million in 2012, up 8.0% (or R$ 506 million) in 12 months. These figures are explained by increased costs for technical specialist and third-party services, rents, and data processing, which combined accounted for 66% of the growth in administrative expenses for the period.

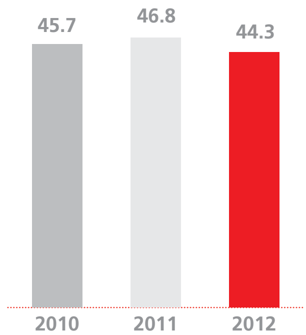
Expenses with depreciation and amortization, a reflection of the investments made in the expansion of the business, totaled R$ 1,691 million in 2012, an increase of 26.7% in 12 months.

General expenses, including depreciation and amortization, registered an increase of 9.6% (or R$ 1,391 million) in 12 months.

The efficiency ratio[1] for entire 2012 was 44.3%, an improvement of 2.5 p.p. in 12 months.

EFFICIENCY RATIO (1)

(in %)



(1) Efficiency: General expenses/ (net interest income + Fee and commission income + tax expenses + other operating income/revenue)

BREAKDOWN OF EXPENSES (R$ MILLION)	2012	2011	VAR. 2012X2011
Third-party services	2,135	1,935	10.3%
Advertising, promotions, and publicity	475	428	11.1%
Data processing	1,223	1,159	5.5%
Communications	613	613	0.1%
Rentals	617	546	13.1%
Transport and travel	209	198	5.4%
Security and surveillance	560	522	7.4%
Maintenance	193	182	6.2%
Financial system services	280	238	17.7%
Water, electricity and gas	173	162	6.7%
Material	107	122	-12.6%
Others	266	242	10.2%
Subtotal	**6,853**	**6,348**	**8.0%**
Depreciation and amortization(1)	1,691	1,334	26.7%
Total Administrative Expenses	**8,544**	**7,682**	**11.2%**
Compensation(2)	4,661	4,390	6.2%
Charges	1,399	1,283	9.0%
Benefits	1,059	942	12.4%
Training	141	116	21.6%
Others	18	16	10.2%
Total Expenses for Personnel	**7,277**	**6,748**	**7.8%**
ADMINISTRATIVE EXPENSES + EXPENSES FOR PERSONNEL (excludes depreciation/amortization)	**14,130**	**13,095**	**7.9%**
TOTAL GENERAL EXPENSES	**15,821**	**14,430**	**9.6%**

(1) Excludes100% of expenses with amortization of goodwill, which was R$ 3,367 million in 2012 and R$3,103 million in 2011.
(2) Includes profit sharing.

ALLOWANCE FOR LOAN LOSSES

Allowance for loan losses totaled R$ 13,223 million in 2012, an increase of 39.8% in 12 months.

ALLOWANCE FOR LOAN LOSSES (R$ MILLION)	2012	2011	VAR. 2012X2011
Gross allowance for loan losses	(14,991)	(11,522)	30.1%
Income from recovery of written off loans	1,769	2,064	-14.3%
Total	**(13,223)**	**(9,458)**	**39.8%**

OTHER OPERATING INCOME/EXPENSES

Other operating income/expenses totaled R$ 3,566 million in 2012, an increase of 10.8% in 12 months. It should be mentioned that the reduction registered in this line reflects the bank's efforts and initiatives with regard to bringing provisions for contingencies back to normal levels, particularly labor-related contingencies.

OTHER OPERATING INCOME/EXPENSES (R$ MILLION)	2012	2011	VAR. 2012X2011
Other operating income/expenses	**(3,566)**	**(3,219)**	**10.8%**
Expenses from cards	(1,635)	(1,065)	53.5%
Net income from premiums, pension funds, and Capitalization	308	676	-54.5%
Provisions for contingencies[1]	(1,807)	(3,003)	-39.8%
Others	(432)	174	n.a.

[1] Includes fiscal, civil and labor provisions.

INCOME TAX EXPENSES

Total taxes expenses amounted to R$ 274 million in 2012, a drop of 48.4% in 12 months.

BALANCE SHEET

Total assets amounted to R$ 447,353 million in 2012, an increase of 5.6% in 12 months. Total equity for the same period registered R$ 65,869 million. Excluding goodwill for the acquisition of Banco Real, total equity totaled R$ 52,932 million.

ASSETS (R$ MILLION)	2012	2011	VAR. 2012X2011
Current assets and long term assets	**424,493**	**398,671**	**6.5%**
Cash and cash equivalents	**4,742**	**4,471**	**6.1%**
Interbank investments	**36,771**	**25,485**	**44.3%**
Money market investments	21,354	18,966	12.6%
Interbank deposits	4,616	3,195	44.5%
Foreign currency investments	10,801	3,324	225.0%
Securities and derivative financial instrument	**76,832**	**74,616**	**3.0%**
Own portfolio	37,869	22,939	65.1%
Subject to repurchase commitments	20,225	33,290	-39.2%
Posted to central bank of Brazil	1,487	2,221	-33.0%
Pledged in guarantees	12,417	11,918	4.2%
Others	4,834	4,247	13.8%
Interbank accounts	**34,517**	**45,258**	**-23.7%**
Interbranch accounts	**2**	**1**	**n.a.**
Lending operations	**197,370**	**185,064**	**6.6%**
Lending operations	211,959	197,062	7.6%
(Allowance for loan losses)	(14,589)	(11,998)	21.6%
Other receivables	**72,643**	**62,600**	**16.0%**
Others assets	**1,617**	**1,177**	**37.4%**
Permanent assets	**22,860**	**25,055**	**-8.8%**
Investments	**40**	**69**	**-42.2%**
Fixed assets	**5,602**	**4,935**	**13.5%**
Intangible	**17,218**	**20,051**	**-14.1%**
Goodwill	26,172	27,031	-3.2%
Intangible assets	7,117	6,192	15.0%
(Accumulated amortization)	(16,072)	(13,172)	22.0%
Total assets	**447,353**	**423,726**	**5.6%**
Goodwill (net of amortization)	12,937	16,574	-21.9%
Total assets (excluding goodwill)	**434,415**	**407,152**	**6.7%**

LIABILITIES (R$ MILLION)	2012	2011	VAR. 2012X2011
Current liabilities and long term liabilities	**380,420**	**357,389**	**6.4%**
Deposits	**126,545**	**121,798**	**3.9%**
Demand deposits	13,457	13,537	-0.6%
Savings deposits	26,857	23,293	15.3%
Interbank deposits	3,392	2,870	18.2%
Time deposits	82,839	82,097	0.9%
Money market funding	**72,529**	**78,036**	**-7.1%**
Own portfolio	56,655	62,756	-9.7%
Third parties	7,344	7,368	-0.3%
Free portfolio	8,530	7,912	7.8%
Funds from acceptance and issuance of securities	56,294	39,933	41.0%
Resources from real estate credit notes, mortgage notes, credit and similar	39,742	30,450	30.5%
Securities issued abroad	15,298	8,697	75.9%
Others	1,253	787	59.3%
Interbank accounts	**19**	**8**	**118.8%**
Interbranch accounts	**2,002**	**2,013**	**-0.5%**
Borrowings	**16,001**	**14,822**	**8.0%**
Domestic onlendings – official institutions	**9,385**	**10,222**	**-8.2%**
Foreign onlendings	**41**	**1,077**	**-96.2%**
Derivative financial instruments	**5,205**	**4,683**	**11.1%**
Other payables	**92,401**	**84,799**	**9.0%**
Deferred income	**222**	**207**	**7.1%**
Minority interest	**841**	**551**	**52.7%**
Equity	**65,869**	**65,579**	**0.4%**
Total liabilities	**447,353**	**423,726**	**5.6%**
Equity (excluing goodwill)	**52,932**	**49,004**	**8.0%**

SECURITIES

Total securities amounted to R$ 76,832 million in December 2012, a growth of 3.0% in 12 months.

SECURITIES (R$ MILLION)	2012	2011	VAR. 2012X2011
Public securities	56,573	56,550	0.0%
Private securities, funds quotas / others	15,428	13,821	11.6%
Financial instruments	4,831	4,245	13.8%
Total	**76,832**	**74,616**	**3.0%**

LOAN PORTFOLIO

The loan portfolio stood at R$ 211,959 million at the close of 2012, a growth of 7.6% in 12 months. The depreciation of the Real against the U.S. dollar in the 12-month period had a significant impact on the foreign currency loan portfolio, which also includes transactions pegged to the dollar, further increasing this portfolio. Excluding the effect of currency variations, the total growth of this portfolio for the period would stand at 6.5%. The foreign exchange portfolio, including transactions pegged to the dollar, amounted to R$ 23.2 billion in 2012, a drop of 9.0% versus R$ 25.5 billion in 2011.

An analysis of the loan portfolio by segment reveals that the SME segment achieved the highest growth in 12 months (+14.5%). This performance is largely due to the increase in the working capital portfolio, in addition to the contribution of the acquiring business, resulting in a higher level of relationship and a larger value offer to clients in the SME segment.

MANAGERIAL BREAKDOWN OF LOANS BY SEGMENT (R$ MILLION)	2012	2011	VAR. 2012X2011
Individuals	71,287	65,620	8.6%
Consumer finance	36,806	35,593	3.4%
Small and medium enterprises	36,487	31,868	14.5%
Corporate	67,379	63,981	5.3%
Total portfolio	**211,959**	**197,062**	**7.6%**
Other credit related transactions[1]	15,433	13,459	14.7%
Total expanded loan portfolio	**227,392**	**210,522**	**8.0%**
Total guarantees	28,572	23,259	22.8%
Total expanded loan portfolio with guarantees	**255,964**	**233,780**	**9.5%**

(1) Includes Debenture, FIDC, CRI , Floating Rate Notes, Promissory Notes and acquiring activities related assets.

LOANS TO INDIVIDUALS

Loans to individuals totaled R$ 71,287 million in 2012, an increase of 8.6% (or R$ 5,667 million) in 12 months. In this period, the products with the best performance were mortgages and credit cards, which together accounted for 79.6% of the increase in the individual loan portfolio.

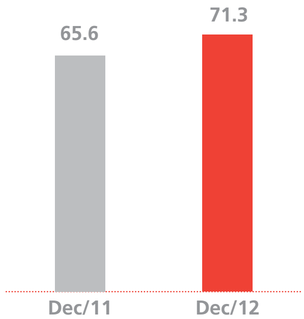
The credit card portfolio totaled R$ 16,174 million, representing a 14.4% increase in 12 months.

The balance of mortgages registered R$ 11,812 million in December 2012, an increase of 26.6% in 12 months.

The payroll loans amounted to R$ 14,772 million, a drop of 2.4% in 12 months. Excluding the amount of the acquired portfolio, this figure would come to R$ 13,548 million, an increase of 10.6% in 12 months.

INDIVIDUALS

(R$ billion)



CONSUMER FINANCE

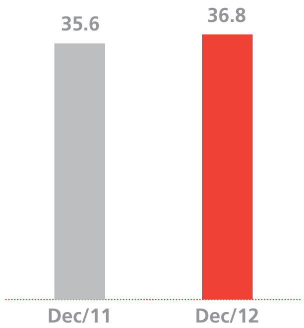
The consumer finance portfolio totaled R$ 36,806 million in December 2012, up 3.4% (or R$ 1,213 million) in 12 months. The consumer finance portfolio is made up largely of vehicle financing, mainly negociated through car dealers.

As announced in the third quarter of 2012, Santander has been expanding its vehicle financing operations through Santander's branch network and increasing operations through its partnerships with automakers.

Hence, considering the total vehicle portfolio, including operations originated through car dealers and Santander's branches, this portfolio amounted to R$ 32,765 million in December 2012, an increase of 6.9% in 12 months.

CONSUMER FINANCING

(R$ billion)



CORPORATE ANS SMEs LOANS

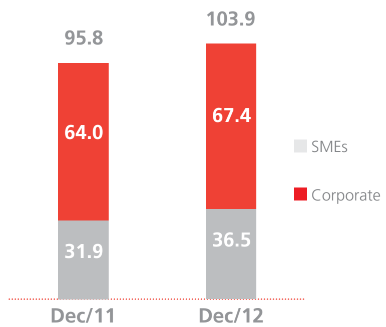
Corporate and SMEs loans totaled R$103,865 million in December 2012, up 8.4% in 12 months.

The corporate loan portfolio amounted R$ 67,379 million, an increase of 5.3% in 12 months. The increase in this portfolio in the twelve-month period was positively affected by the exchange rate variation. Excluding this effect, growth would have been 2.1%.

Loans to small- and medium-sized enterprises totaled R$ 36,487 million in December 2012, an increase of 14.5% in 12 months. This performance was largely due to the increase in the working capital portfolio, in addition to the contribution of the acquiring business, resulting in a higher level of relationship and a larger value offer to clients in the SME segment.

LEGAL ENTITIES

(R$ billion)



INDIVIDUAL AND CORPORATE LOAN PORTFOLIO BY PRODUCT

BREAKDOWN OF THE LOAN PORTFOLIO BY PRODUCT (R$ MILLION)	2012	2011	VAR. 2012X2011
Individuals			
Leasing/Vehicles[1]	2,744	2,277	20.5%
Credit cards	16,174	14,144	14.4%
Payroll[2]	14,772	15,142	-2.4%
Mortgages	11,812	9,331	26.6%
Agricultural loans	2,163	2,492	-13.2%
Personal loans/Other	23,621	22,234	6.2%
Total individuals	**71,287**	**65,620**	**8.6%**
Consumer finance	**36,806**	**35,593**	**3.4%**
Corporate and SMEs			
Leasing/Vehicles	3,508	3,029	15.8%
Real estate	7,789	6,280	24.0%
Trade finance	15,948	17,749	-10.1%
On-lending	7,811	9,070	-13.9%
Agricultural loans	2,221	1,909	16.4%
Working capital/other	66,588	57,812	15.2%
Total corporate and SMEs	103,865	95,848	8.4%
Total loan portfolio	**211,959**	**197,062**	**7.6%**
Other Credit Risk Transactions with clients [3]	15,433	13,459	14.7%
Expanded credit portfolio	**227,392**	**210,522**	**8.0%**

(1) Including consumer finance, the auto loan portfolio for individuals totaled R$ 32,765 million in 4Q12 and R$ 30,637 in 4Q11.
(2) Includes Payroll Loan acquired portfolio. Excluding acquired portfolio, the growth in twelve months was 10.6%.
(3) Includes debentures, FDIC, CRI, promissory notes and acquiring activities related assets.

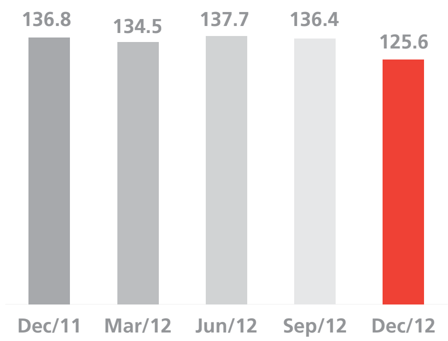
ALLOWANCE FOR LOAN LOSSES/COVERAGE

Allowance for loan losses amounted to R$ 14,589 million in December 2012, an increase of 21.6% in 12 months.

The BR GAAP coverage ratio is obtained by dividing allowance for loan losses by the balance of transactions overdue by more than 90 days. This index registered the comfortable figure of 125.6% in December 2012.

COVERAGE

(Over 90, in %)



RENEGOTIATION PORTFOLIO

Credit renegotiations totaled R$ 10,992 million in December 2012, an increase of 42.3% compared with the R$ 7,725 million posted in the same period in 2011. These operations include loan agreements that were extended and/or amended to enable their receipt under conditions agreed upon with the clients, including the renegotiation of previously written-off loans. In the quarter, the upturn in renegotiations was 1.6%.

In December 2012, 51.2% of the portfolio was provisioned, versus 50.8% in December 2011. These levels are considered to be adequate, given the nature of these operations.

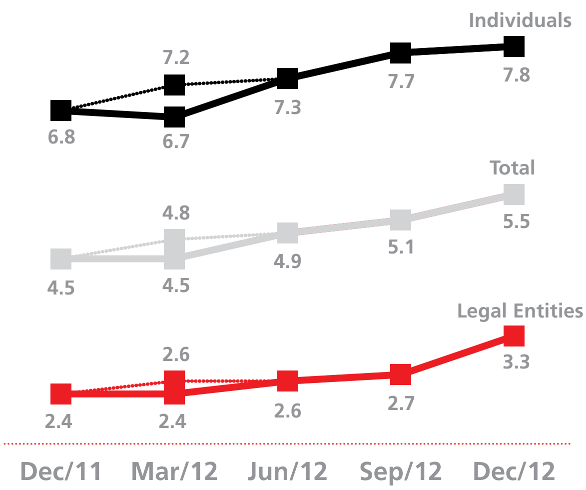
LOAN PORTFOLIO - RENEGOTIATION (R$ MILLION)	2012	2011	VAR. 2012X2011
Renegotiated loans	10,992	7,725	42.3%
Allowance for loan losses over renegotiated portfolio	(5,633)	(3,922)	43.6%
Coverage %	**51.2%**	**50.8%**	**0.5 p.p.**

DELINQUENCY RATIO (OVER 90 DAYS)

Delinquency ratio over 90 days amounted to 5.5% of the total portfolio, an increase of 1.0 p.p. in 12 months and 0.3 p.p. when compared with September 2012. Delinquency ratio for individuals registered 7.8%, an increase of 0.1 p.p. for the quarter, which represents a slowdown in the growth of delinquency in this segment. On the other hand, delinquency ratio for corporate rose 0.6 p.p. in the quarter to 3.3%. This increase reflects the impact of the slowdown in economic growth, in addition to the change in the portfolio mix as a consequence of the increased share of Small and medium enterprises.

DELINQUENCY RATIO[1]

(Over 90, in %)



[1] Loans overdue by more than 90 days / Loan Portfolio in BR GAAP.

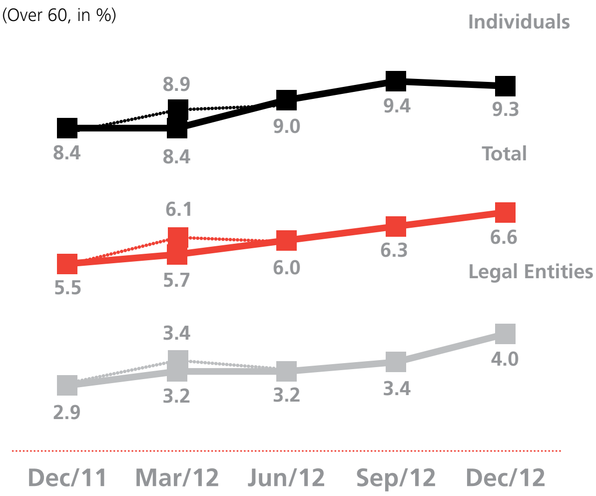
DELINQUENCY RATIO (OVER 60 DAYS)

Delinquency ratio over 60 days stood at 6.6% in 4Q12, an increase of 1.1 p.p. in 12 months and 0.3 p.p. in the quarter. Delinquency ratio for individuals fell by 0.1 p.p. in the quarter and the delinquency ratio for corporate increased by 0.6 p.p. over the same period.

On the other hand, the total delinquency ratio between 15-90 days registered an improvement of 0.1 p.p. in 4Q12, falling for the third consecutive quarter, to 4.9% of the total loan portfolio. This drop is largely due to the reduction in delinquency for individuals (15-90), which fell from 7.1% in 3Q12 to 6.8% in 4Q12. Delinquency ratio for corporate (15-90) remained stable at 3.1% versus the previous quarter.

DELINQUENCY RATIO[2]

(Over 60, in %)



[2] Loans overdue by more than 60 days / Loan Portfolio in BR GAAP.

FUNDING

Total funding from clients amounted to R$ 199,193 million in December 2012, up 10.8% in 12 months. This growth was largely due to the positive performance of treasury notes (+28.9%), debentures, LCI and LCA (real state and agribusiness credit notes) (+22.8%), and savings accounts (+15.3%).

FUNDING (R$ MILLION)	2012	2011	VAR. 2012X2011
Demand deposits	13,457	13,537	-0.6%
Savings deposits	26,857	23,293	15.3%
Time deposits	82,839	82,097	0.9%
Debentures/LCI/LCA[1]	49,548	40,351	22.8%
Treasury notes	26,493	20,552	28.9%
Funding from clients	**199,193**	**179,831**	**10.8%**

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

CREDIT/FUNDING RATIO

The following table shows the sources of funds used in credit operations, which include client deposits, net of reserve requirements, foreign and domestic funding, and securities issued abroad.

The ratio between loan portfolio and total funding from clients and financial institutions reached 97% in December 2012, an increase of 12 p.p. YOY.

In turn, the ratio between loan portfolio and funding from clients improved in the 12-month comparison (from 110% to 106%), due to the fact that client funding grew at a faster rate than the loan portfolio.

The bank enjoys healthy liquidity, with stable sources of funding and a solid funding structure.

FUNDING X LOANS (R$ MILLION)	2012	2011	VAR. 2012X2011
Funding from clients (A)	**199,193**	**179,831**	**10.8%**
(-) Reserve Requirements	(34,310)	(45,029)	-23.8%
Funding net of reserve requirements	164,883	134,802	22.3%
Borrowing and onlendings	9,507	10,222	-7.0%
Subordinated debts	11,919	10,908	9.3%
Offshore funding	31,218	24,595	26.9%
Total funding (B)	217,528	180,527	20.5%
Assets under management[1]	134,935	128,397	5.1%
Total Funding and Asset under management	**352,463**	**308,924**	**14.1%**
Total Client (C)	**211,959**	**197,062**	**7.6%**
C / B (%)	**97%**	**109%**	
C / A (%)	**106%**	**110%**	

[1]According to Anbima criterion.

BIS RATIO

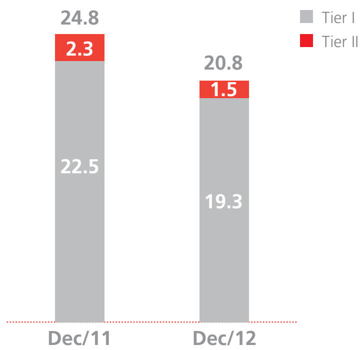
The BIS ratio reached 20.8% in December 2012, down 4.0 p.p. YOY and down 1.2 p.p. compared with September 2012.

The BIS ratio was impacted by the fact that the capital requirement for adjusted credit risk and market risk grew 4.5% and 29.8% respectively in the quarter. The adjusted credit risk requirement was impacted by the strong growth in the quarter of the other credit related transactions and guarantees. On the other hand, approximately 2/3 of the Market Risk capital requirement growth in the quarter is explained by the impact of Circular No. 3.568/11 issued by the Brazilian Central Bank.

In accordance with Brazilian regulations, the minimum index is 11%. Excluding the goodwill determined in the acquisition of Banco Real, the BIS ratio reached 17.7% in December 2012 compared with 20.2% in December 2011.

BIS RATIO

(%)



OWN RESOURCES AND BIS (R$ MILLION)	2012	2011	VAR. 2012X2011
Adjusted Tier I Regulatory Capital	65,213	64,760	0.7%
Tier II Regulatory Capital	5,070	6,642	-23.7%
Adjusted Regulatory Capital (Tier I and II)	**70,283**	**71,402**	**-1.6%**
Required Regulatory Capital	**37,131**	**31,702**	**17.1%**
Adjusted Credit Risk Capital requirement	32,410	28,761	12.7%
Market Risk Capital requirement	2,951	1,219	142.0%
Operational Risk Capital requirement	1,770	1,721	2.9%
Basel II Ratio	**20.8%**	**24.8%**	**-4,0 p.p.**
Tier I (with goodwill)	19.3%	22.5%	-3,1 p.p.
Tier II (with goodwill)	1.5%	2.3%	-0,8 p.p.

Amounts calculated based on consolidated information from the financial institutions (financial conglomerate).

CARDS

Throughout 2012, Santander consolidated its acquiring business, which constitutes a strong differential for the acquisition of SME clients. In 2012, the Bank entered into two commercial agreements, one with Sodexo, the world's leading provider of quality-of-life services, and the other with Embratec, with a particular emphasis on its Ecofrotas division, the leading company in the vehicle fleet fueling and maintenance segment. As a result, Santander's GetNet POS machines will begin accepting Sodexo cards as of 2013, increasing the bank's share of bar, restaurant and supermarket segment.

Santander will also begin offering Sodexo's benefit and incentive services, especially Refeição Pass (meal vouchers), Alimentação Pass (supermarket vouchers) and Vale Transporte Pass (transport vouchers), as well as Ecofrotas' light and heavy fleet management service. In December 2012, the bank retained a base of 416 thousandmerchant establishments and recorded a revenue market share of 4.5%.

In 2012, we maintained our focus on the partnerships with Vivo and the Raízen group, both of which were designed to increase our customer base by launching products, offering exclusive advantages in the areas in which these companies operate, associated with the Santander Card's differentials.

We launched an exclusive range of opportunities for Santander Card holders, Santander Esfera, which provides customers with daily promotions and special discounts with selected partners.

We also established a partnership with the Cinépolis movie theater chain, offering a 50% discount to customers who buy their tickets with our cards. We continue offering our account holders special products designed to suit their different needs. We therefore continued to expand our clients base, always seeking to improve their satisfaction. We implemented the SuperBônus Viagens website, a portal that allows customers to exchange bonus points for tickets, hotel accommodation, cruises, package trips and car rentals. In addition, if they do not have enough points to acquire what they want, they can pay the difference with their Santander Card. This is another initiative focused on strengthening relations with our customers and making Santander cards their first choice.

REVENUE

Total revenue (credit and debit) came to R$ 46.1 billion in the fourth quarter of the year, representing an increase of 22.3% in twelve months. Growth was 12.4% compared with the previous quarter.

CREDIT CARD PORTFOLIO

The credit card portfolio in 4Q12 grew 14.0% compared with the same period in the previous year and 9.8% in relation to the 3Q12, to R$ 16.5 billion.

It should be pointed out that this portfolio includes transactions which are overdue by over 60 days and which, therefore, do not yield interest.

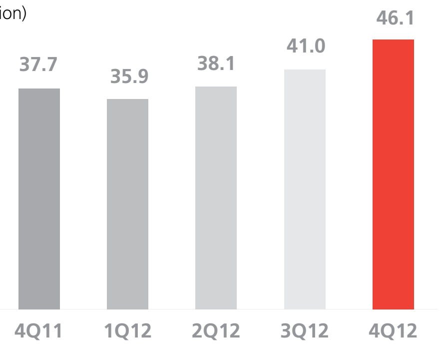
CREDIT CARD BASE

The credit card base totaled 14.6 million, up 1.2% compared with the previous quarter.

Growth over the twelve-month period registered 17.5%. Debit cards amounted to R$ 33.8 million at the end of the quarter, up 15.4% in 12 months and 2.7% in the quarter.

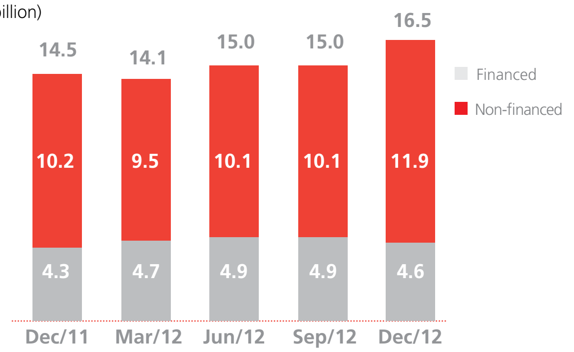
TURNOVER TOTAL

(R$ billion)



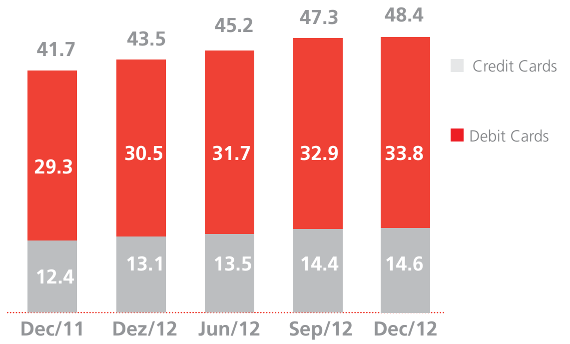
BREAKDOWN OF CARD PORTFOLIO

(R$ billion)



CARD BASE

(R$ million)



RATING AGENCIES

Santander is rated by international agencies and the ratings awarded reflect different factors, including the quality of its administration, its operating performance and financial soundness, and other factors associated with the financial sector and economic environment in which the Company operates. The following table shows the ratings awarded by the three major rating agencies:

RATINGS	GLOBAL SCALE				DOMESTIC SCALE	
	Local Currency		Foreign Currency		Domestic	
RATING AGENCY	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Fitch Ratings (outlook)	BBB (negative)	F2	BBB (negative)	F2	AAA (bra) (negative)	F1+ (bra)
Standard & Poor's (outlook)	BBB (stable)	A-2	BBB (stable)	A-2	brAAA (stable)	brA-1
Moody's (outlook)	Baa1 (stable)	Prime-2	Baa2 (positive)	Prime-2	Aaa.br (stable)	Br-1

Ratings awarded as published in the respective rating agencies' reports: Fitch Ratings (December 20, 2012), Standard & Poor's (December 18, 2012), and Moody's (June 27, 2012).

RECONCILIATION BETWEEN THE ACCOUNTING AND MANAGERIAL STATEMENTS

To provide a better understanding of the results in BR GAAP, this report presents the reconciliation between the accounting and managerial statements. It should be pointed out that these adjustments, with the exception of the amortization of goodwill associated with the acquisition of Banco Real, have no effect on net profit. All information, indicators, and comments concerning the income statements in this report are based on the Managerial Income Statement, except where stated otherwise.

ACCOUNTING AND MANAGERIAL INCOME STATEMENT (R$ MILLION)

	2012	Reclassificações					2012
	Accounting	Fiscal Hedge[1]	Credit Rec[2]	Amort. goodwill[3]	Profit share	Others[4]	Managerial
NET INTEREST INCOME	**32,563**	**(1,437)**	**1,769**			**(148)**	**32,380**
Allowance for loan losses	(14,991)		(1,769)				(13,223)
NET INTEREST INCOME AFTER LOAN LOSSES	**17,572**	**(1,437)**	**-**		**-**	**(148)**	**19,158**
Fee and commission income	10,025						10,025
General expenses	(18,477)	-	-	(3,637)	980		(15,821)
Personnel Expenses + Profit Sharing	(6,296)				980		(7,277)
Administrative Expenses	(12,181)			(3,637)			(8,544)
Tax expenses	(3,028)	110					(3,138)
Investments in Affiliates and Subsidiaries	1						1
Other Operating Income/Expenses	(3,566)						(3,566)
OPERATING INCOME	**2,527**	**(1,327)**	**-**	**(3,637)**	**980**	**(148)**	**6,659**
NON OPERATING INCOME	218						70
INCOME BEFORE TAX	**2,745**	**(1,327)**	**-**	**(3,637)**	**980**	**-**	**6,729**
INCOME TAX	1,053	1,327					(274)
PROFIT SHARING	(980)				(980)		-
MINORITY INTEREST	(126)						(126)
NET PROFIT	**2,692**	**(0)**	**-**	**(3,637)**	**-**	**-**	**6,329**

ACCOUNTING AND MANAGERIAL INCOME STATEMENT (R$ MILLION)

	2011	Reclassificações				Non-	2011
	Accounting	Fiscal Hedge[1]	Credit Recov[2]	Amort. goodwill[3]	Profit share	recurring items[5]	Managerial
NET INTEREST INCOME	**28,496**	**(1,646)**	**2,064**				**28,078**
Allowance for loan losses	(11,522)		(2,064)				(9,458)
NET INTEREST INCOME AFTER LOAN LOSSES	**16,973**	**(1,646)**	**-**		**-**		**18,619**
Fee and commission income	8,950						8,950
General expenses	(16,276)	-	-	(3,104)	1,257		(14,430)
Personnel Expenses + Profit Sharing	(5,490)				1,257		(6,748)
Administrative Expenses	(10,786)			(3,104)			(7,682)
Tax expenses	(2,836)	123					(2,959)
Investments in Affiliates and Subsidiaries	4						4
Other Operating Income/Expenses	(3,868)					(649)	(3,219)
OPERATING INCOME	**2,947**	**(1,524)**	**-**	**(3,104)**	**1,257**	**(649)**	**6,966**
NON OPERATING INCOME	955					649	306
NET PROFIT BEFORE TAX	**3,902**	**(1,524)**	**-**	**(3,104)**	**1,257**	**-**	**7,272**
INCOME TAX	993	1,524					(531)
PROFIT SHARING	(1,257)				(1,257)		-
MINORITY INTEREST	(81)						(81)
NET PROFIT	**3,557**	**(0)**	**-**	**(3,104)**	**-**		**6,661**

(1) Fiscal Hedge: Under Brazilian income tax rules, gains (losses) resulting from the exchange rate variation on the foreign currency investments are not taxable (tax deductible). This tax treatment leads to foreign exchange rate exposure in the tax line. A hedge position was set up in order to immunize the net profit from the impact of the foreign exchange variation on the income tax and tax expenses lines.

(2) Credit Recovery: Reclassified from lending operations to allowance for loan losses.

(3) Amortization of goodwill: Reversal of goodwill amortization expenses related to Banco Real.

(4) Others: Banco Santander recorded equity income gains of R$148.5 million referring to subsidiary that holds private equity investments and businesses related to banking supplementary services.

(5) 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$ 649 million in 4Q11. This value is registered as "Non-operating (expenses) income". Additionally, we increased the provisions for contingencies in the same amount, during the period.

BUSINESS PERFORMANCE

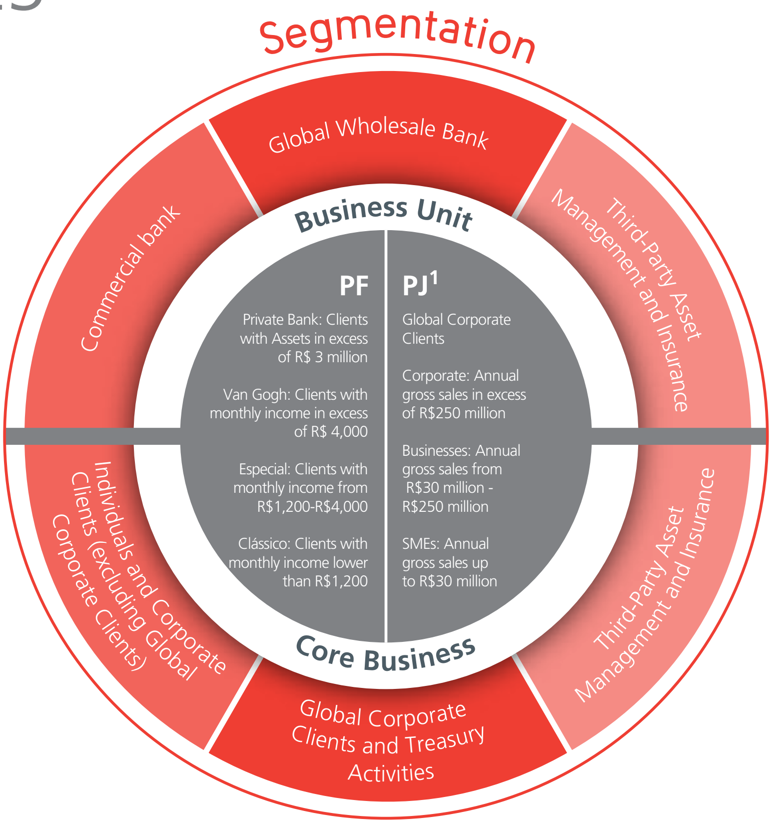
OPPORTUNITIES FROM MAJOR CHANGES

A FOCUS ON KEY BUSINESSES, CUSTOMER RELATIONS, AND CROSS-SELLING

Business at Santander is divided into three major segments: Commercial Bank, Wholesale Banking, and Third Party Asset Management and Insurance. 2.2

In 2012, all business areas attempted to offer our clients streamlined services, strengthening customer relations and enhancing cross-selling (sales opportunities between different segments).

Despite the adverse economic scenario, we achieved balanced results, with an increase in total revenues, cost control, and high-level soundness indicators.



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

SOCIAL AND ENVIRONMENTAL BUSINESSES

We implemented a series of initiatives to help our clients render their businesses more sustainable. FS7 FS8

• **Several sectors:** We mapped the small and medium enterprises from our client base with the potential to generate business that reduces consumption of water and energy and waste generation. This sector is composed of thousands of enterprises from a wide range of sectors that range from bars and restaurants to small meat processing plants and metallurgical companies.

• **New opportunities:** Relationship managers are trained and encouraged to identify business opportunities on their visits to clients. Internal campaigns disclose the sustainable working capital for employees and award prizes for performance.

• **Continuous improvement:** During the visits, the manager uses an approach to determine whether or not the company consumes large amounts of water or energy, for example, and to determine the possibility of financing improvements for the client.

• **Sustainable financing:** Clients invest in solutions for the management of waste, water, energy efficiency, and certifications, among others.

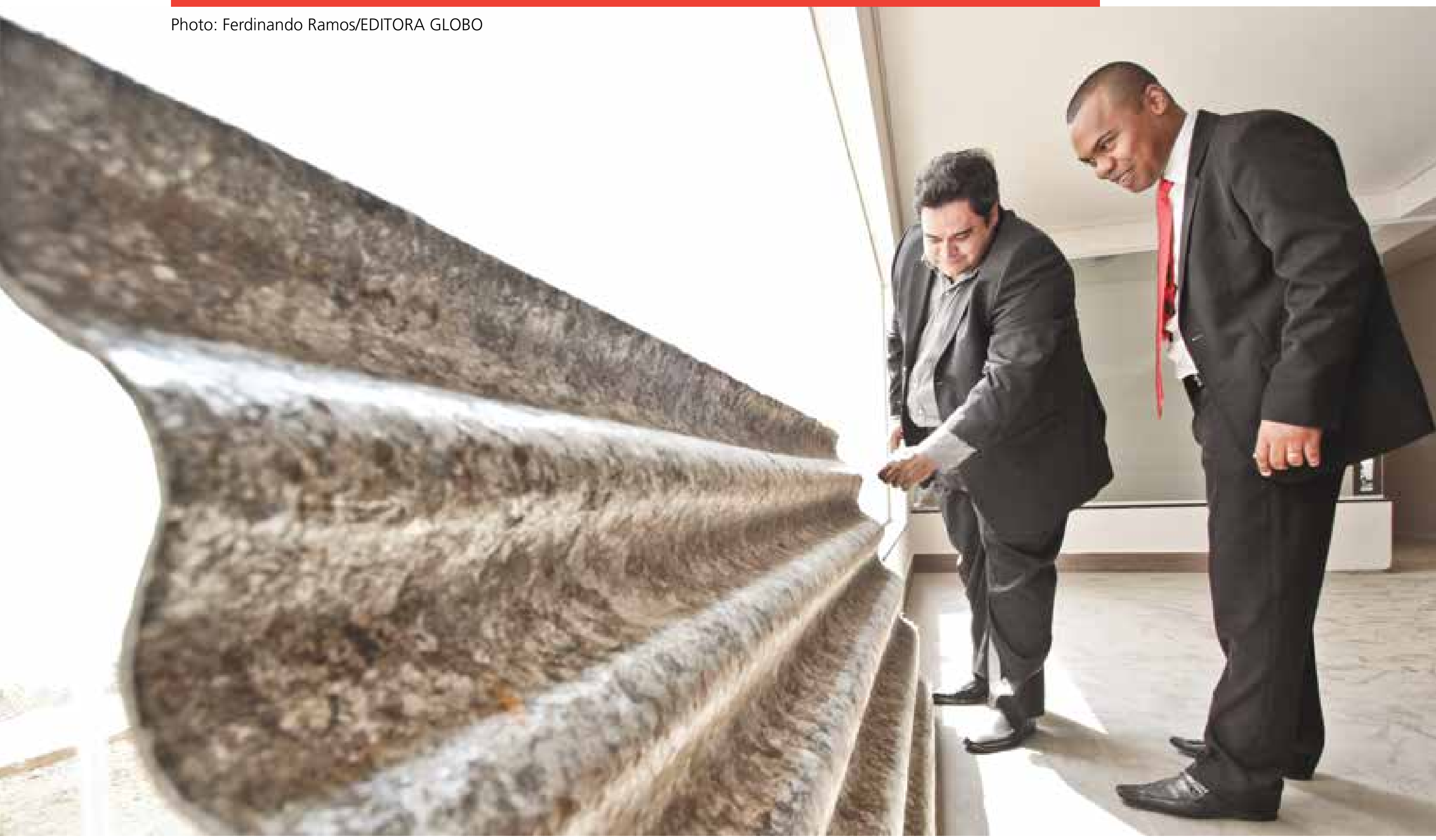
• **Closing the deal:** The manager proposes financing the most modern and economical solutions capable of reducing consumption and reaping financial, social, and environmental benefits.

• **Benefits for all:** In time, the company will benefit from the reduction in water and energy consumption or from correct waste disposal. The bank benefits through financing that contributes to enhanced client relations, and society benefits from environmental improvements.

OPEN TO CHANGE

A partner at construction firm Lomy Engenharia, Luís Fernando Ramos (left), and Santander manager João Dias Júnior (right), observe some of the materials used in the renovation of the hotel built by Ramos in the city of Araçatuba, state of São Paulo. The venture was backed by Santander. The bank offered Ramos a special line of credit based on social and environmental criteria for the modification of the undertaking— a proposal which the company accepted. The carpets in the building's corridors are made from recycled materials, solar panels have been installed on the roof, and the hotel makes use of rainwater, along with other sustainable initiatives. "I altered the project in order to save energy, water, and materials, and Santander granted me a special line of credit at interest rates below the market average," says the entrepreneur. This operation is just one of the social and environmental loans granted by Santander which help clients advance in areas such as energy efficiency and waste treatment.

Photo: Ferdinando Ramos/EDITORA GLOBO



RETAIL

The priorities of the retail sector in 2012 were to guarantee the quality of services, increase customer satisfaction, work on client relations, and increase productivity and the client base.

In order to achieve these objectives, we invested over R$ 1 billion in our branches, including training, renovations, equipment, and new service outlets. Furthermore, we disseminated throughout our entire network the A+ Customer Service Program, a methodology to increase customer satisfaction with the bank. This initiative features important tools such as the queue manager, which enables us to monitor and control client circulation within the branch.

Our network had 3,788 branches and mini branches (PABs) throughout the country by year-end, plus 17,793 ATMs. We have opened 300 new branches since 2009.

Through the strength of our sales team, in 2012 we increased the number of current accounts in our operation by 1.5 million. And to enhance client relations, the business team conducted over 4 million visits to individual and corporate clients throughout Brazil under the V200 program.

The combination of these initiatives took us to a new level, since it consolidated the business model while disseminating it across the entire branch network. It improved the client's experience with the bank and, consequently, the levels of satisfaction and placed us back on the road to significant growth in our account holder base and volume of transactions.

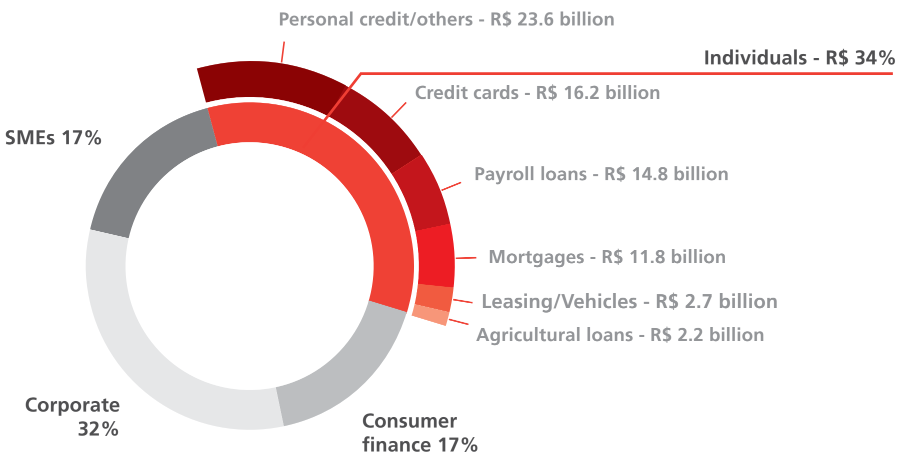
LOANS FOR INDIVIDUALS

The Individuals segment recorded the second largest rate of growth in the Santander loan portfolio in 2012. This was largely due to two products: mortgages and credit cards, which accounted for 79.6% of the growth in the Individuals portfolio.

The portfolio mix in this segment is already reflecting the transformations of the National Financial System (SFN), which should result in a model in which longer-term operations, such as housing loans, should gain ground in relation to short-term operations geared to consumption.

This is emphasized by the fact that the volume of real estate financing in the financial system could, for the first time ever, surpass the volume of personal credit in 2013.

LOAN PORTFOLIO



CARDS

The credit card segment proceeded with its efforts to expand the client base throughout 2012. In this sense, the partnerships with Vivo and Grupo Raízen, established in the previous year, continued to be of great importance. They enable the bank to launch products with exclusive advantages in the fields in which these two companies operate associated with the benefits of Santander cards.

In 2012, we also developed activities to help raise levels of customer satisfaction and to ensure Santander cards are the client's first choice as a means of payment. One of these initiatives was the launch of Santander Esfera, a network for clients with daily access to promotions and special discounts with select partners.

Another example was the partnership established with the Cinépolis movie theater chain, in Ribeirão Preto (SP), Belém (PA), São Paulo (SP), and Salvador (BA). This initiative entitles Santander card holders to purchase tickets for these cinemas at half price. We also launched the SuperBônus Viagens portal, through which clients can redeem bonus points for tickets, accommodation, cruises, travel packages, and car rentals. In the event that clients have insufficient bonus points to pay for the product in question, the difference can be charged to their Santander card.

This segment posted a 22.3% increase in revenues in 2012.

ACQUIRING BUSINESS

Santander has been consolidating its position in the acquiring segment, expanding its client base in the SME sector. Two business deals were closed in 2012. One with Sodexo, a global leader in quality of life services, and the other with Embratec, with a focus on its Ecofrotas division, a market leader in supply and maintenance of fleets.

With these agreements, starting in 2013, Santander's GetNet POS Terminals will begin to accept Sodexo cards, increasing their circulation in bars, restaurants, and grocery stores. Furthermore, we will begin to market benefits and incentives for Sodexo, particularly the Refeição Pass, Alimentação Pass, and Vale Transporte Pass services (meal allowance, food allowance, and transportation allowance). The bank will also offer the light and heavy fleet management services of Ecofrotas.

In 2012, we increased our revenue in the acquiring sector by 135%, with a market share of 4.5% compared with 2.6% the previous year.

THE INTEGRATED ACCOUNT

Santander *Conta Integrada* (Integrated Account) is the combination of current accounts and the Santander POS system, providing more simplicity and savings to clients. Benefits include discounts while renting the POS system to process Visa and MasterCard brands, differentiated advance rates, and exemption from checking account charges associated with the volume of revenue, in addition to the potential for credit eight times the amount of the card's monthly revenue.

Another benefit for clients is the chance to rely on a POS system to process transactions which can be connected via both dial-up and broadband lines. This streamlines the process and frees up the establishment's telephone line, thus reducing the phone bill.

Over 416,000 commercial establishments have registered since the launch in 2010, representing a market share of 4.5% in revenue volume in the acquirer market.

MORTGAGES

The year 2012 was marked by the implementation of several initiatives under the Santander 3.1 Project, which is helping to simplify and streamline processes and to do away with the notion that financing construction or buying a property is complicated and time consuming.

We expanded our business team over the year and increased the number of specialists at the branches with the mission of streamlining the process. In the same vein, we implemented the document scanning system at the branches as a means of speeding up the hiring process, eliminating the transfer of documents between branches and avoiding the risk of misplacement.

Moreover in 2012, Santander Van Gogh real estate services began offering differentiated rates for clients in the real estate financing sector. The closer the relationship, the greater the benefits. Another new feature was the extended terms; real estate transactions for individuals now enjoy a maximum financing period of 35 years compared with the 30-year period previously in force.

The bank's businesses expanded as a result of these initiatives. The real estate portfolio amounted to R$ 19.6 billion, an increase of 26% over 2011. For individuals, the loan sector grew by 27%.

Santander also made progress in the corporate segment and gained market share in production, despite the drop in real estate launches in 2012. The loan portfolio in this segment increased by 24% to R$ 7.8 billion.

WEBCASAS RENEWED

One of the main tools of the bank's real estate business in 2012, the WebCasas portal, recorded an average of 900,000 visits per month and hosted over 520,000 real estate ads in December 2012.

Webcasas underwent a major overhaul in 2012, acquiring a more compelling appearance and important technological enhancements which provided the tool with new functionalities that made it more user-friendly.

The success in the real estate business has led to an increasing number of brokers showing interest in this tool. The number of partner realtors increased by 111%, comparing December 2011 with the same month in 2012.

Advertising property on the portal is free of charge for real estate brokers and agencies, provided they close at least one contract per month. There was a 158% increase in the number of real estate ads in December 2012 compared with the same month in 2011.

BREAKDOWN OF THE MORTGAGE PORTFOLIO

(Individuals and corporate)

THE IMPACT ON THE VALUE CHAIN

OAt Santander, we believe in and invest in sharing knowledge on sustainability. We promote best practices in the civil construction market, which is currently responsible for over 35% of the solid waste generated in the world. A good example of this is the residential development Terra Mundi, created by the construction firm CRV based in the city of Goiânia (GO), which was awarded 89.14 points, the highest score ever granted by Obra Sustentável, a Santander civil construction sustainability program. Based on three pillars—financing sustainability, sector engagement, and Santander Obra Sustentável (Sustainable Construction)—the program includes assessments of the company, the project, and the works. The construction firm is given feedback based on the results of the technical and environmental inspections. The Terra Mundi development was evaluated with these assessments.

Due for delivery in 2014, the four apartment blocks were designed to take full advantage of sunlight and wind. Solar energy will be used for the showers and recycled bathroom water will be used to clean common areas and water the gardens.

The construction firm has already entered into partnerships with recycling cooperatives for the collection of paper and plastic, which may generate resources for the building administration in the future. Furthermore, bricks broken during construction and excess cement are crushed and transformed into concrete blocks which can be used in the project itself. This project encompasses a total of 64 items related to sustainability.

Thanks to the project's sustainability initiatives, the monthly building maintenance fee will drop by 20% on average, and electricity bills by 30% to 50%. "This development was a strategic decision: sustainability will translate into market value," according to Claudio Carvalho, managing director of CRV. The unique characteristics of the building have attracted the attention of buyers, and 50% of the 480 apartments had already been sold by the end of 2012. This model is set to be replicated in two other residential buildings while encouragement continues in the local market to adopt more sustainable practices.

Disclosure "CRV Construtora"

CONSUMER FINANCING

The consumer financing portfolio closed 2012 totaling R$ 36.8 billion, a 3.4% growth over the previous year. Vehicle financing continued to be the main source of business and accounted for 89% of the portfolio.

Certain factors contributed to improving the results of the Santander Financing Department: partnerships, the distribution of financing via the branch network, the use of the Webmotors website as a transaction channel, and the enhancement of processes.

With regard to partnerships, the bank continued to strengthen its position and entered into an agreement with Hyundai to finance the cars manufactured at the automaker's new plant in the city of Piracicaba (SP).

Furthermore, the bank maintained its previously established partnerships with the banks PSA Finance Brasil for Peugeot/Citroen and RCI Brasil for Renault/Nissan.

With regard to processes, the efforts made to simplify and streamline businesses provided us with a prominent position in the market in terms of streamlined operations in both credit assessment and payments. This helped us maintain our leading position in terms of client satisfaction versus our main competitors in the vehicle financing market.

Taking advantage of our increased efficiency, Santander Financiamentos and its partners ended 2012 as leaders in the pre-owned vehicle market, in a noteworthy position in the new vehicles market, and leaders in the Other Goods sector, which includes furniture and the nautical segment, among others.

CORPORATE

Small and medium enterprises account for 20% of the GDP and are responsible for 66% of employment in the Brazilian private sector. This is why this sector is strategic for Santander.

In 2012, we underlined our priority positioning in this segment by means of innovative deliverables with a major impact on clients.

The main change was the implementation of Unified Client Services, whereby a single manager is assigned to deal with both individuals and corporate accounts of company partners with an annual revenue of up to R$ 1 million (see box).

Moreover, we implemented important developments in the back office as a means of streamlining processes, and consequently improved the client's experience with the bank. These actions resulted in tangible improvements, such as the reduction in the average time required by a client to open an account (dropping from 4 hours and 40 minutes to 40 minutes) or the time required to hire collection services (from 1 week to less than 1 day).

Unified Client Services teamed up with the Integrated Account (see more on page 76) to consolidate Santander Brazil's value proposal as unique in the market.

With these advances, SMEs represented the segment with the highest growth in our loan portfolio: volume amassed R$ 36.5 billion, an increase of 14.5% in the year.

THE LOAN PORTFOLIO FOR SMALL AND MEDIUM ENTERPRISES INCREASED BY

14,5%

INNOVATION: UNIFIED CUSTOMER SERVICE

We launched a new customer service model in 2012, aimed at streamlining procedures for small and medium entrepreneurs, whereby one manager is assigned to deal with both their individual and corporate accounts. This Unified Client Service system enables managers to know their clients better and to provide support in the financial management of both their personal and business lives. The traditional model involves information being split between the individual and corporate managers, where both have only a partial view of the client's financial situation.

The unified model enables us to manage risk more efficiently and to offer clients easier access to credit in a more assertive manner. Clients holding both individual and corporate accounts and the acquirer services (a terminal that captures and processes credit and debit card transactions) are entitled to reductions in corporate account service bundles and in the renting of the terminal, in addition to discounts in Van Gogh and special services bundles.

Business owner Daniel Ramalho Rocha and Manager Tamires Soares

DIFFERENCES IN CUSTOMER SERVICE

Like so many small and medium business owners, Daniel Ramalho Rocha faces the challenges of being an entrepreneur. The difficulties are common to all business owners and include qualified manpower, cash flow, and client base, among others. As the owner of the firm Nanos e Micros, located in the district of Ipiranga in the city of São Paulo and specializing in the maintenance of medium- and large-scale servers, Daniel set up his own business in 2001. "If I was making money for others, why couldn´t I do it for myself? That's how I started—by investing in my own idea," says the businessman who, after taking courses in the area, discovered an expanding market niche. However, lack of credit made his situation a little more complicated. That's where Santander came in.

A client since 2011, he states that the positive relationship and the guided credit offered were what attracted him to Santander. "It's a bank that helps you, believes in you, pays attention to you, and provides you with credit," the entrepreneur assesses. Starting in 2012, he began taking out loans at more competitive rates under a new simplified client service model wherein the same manager handles his personal and corporate accounts. "All I have to do is phone my manager, who knows me and my business, and he always has the right solution for me," explains Daniel, suggesting that the service could be somewhat quicker. "It's a pioneering idea and takes time to adapt to. However, everything indicates that I shouldn't expect any problems. Quite the opposite; I'll find solutions," he adds.

GOVERNMENT & INSTITUTIONS

The area of Government & Institutions serves two segments: governments, covering all public entities in the country, and institutions from the private sector (with emphasis on the Health Care services chain).

With regard to governments, Santander Brazil participated in some relevant issuances of debentures based on CVM Resolution 476 (under restricted placement efforts).

Highlights include issuances for Companhia de Desenvolvimento Econômico de Minas Gerais (CODEMIG), for the amount of R$ 700 million, Minas Gerais Participações S/A (MGI) for the amount of R$ 316 million (both controlled by the state government of Minas Gerais), and R$ 100 million for Companhia Estadual de Águas e Esgotos (CEDAE) owned by the state government of Rio de Janeiro.

Each year we build and further consolidate our relationship with states and municipalities and their civil servants. The bank also enjoys a solid partnership with the Armed Forces.

Regarding our operations in the health care chain, a segment in which we already hold a significant share – we intend to become the market leader in Brazil. In order to further develop expertise in this area, Santander has a commercial team dedicated to the segment, working together with health care providers, charitable and for-profit hospitals, Sistema Unimed, and diagnostic centers and laboratories. In partnership with Fundação Instituto de Administração (FIA), associated with the University of São Paulo (USP), we developed and implemented customized and specialized health training activities for the second consecutive year.

This stance has been a differentiating factor in our client approach and has led us to effect major transactions such as the exclusive issuance of R$ 200 million in 476-type debentures for the D´Or network, the largest private hospital group in Brazil. We also provide our clients with other solutions, including cash management, foreign exchange hedging, asset management, financing, and payroll services.

Our value proposition involves serving the entire chain, with the bank playing an important role among doctors and health care professionals.

PAYROLL

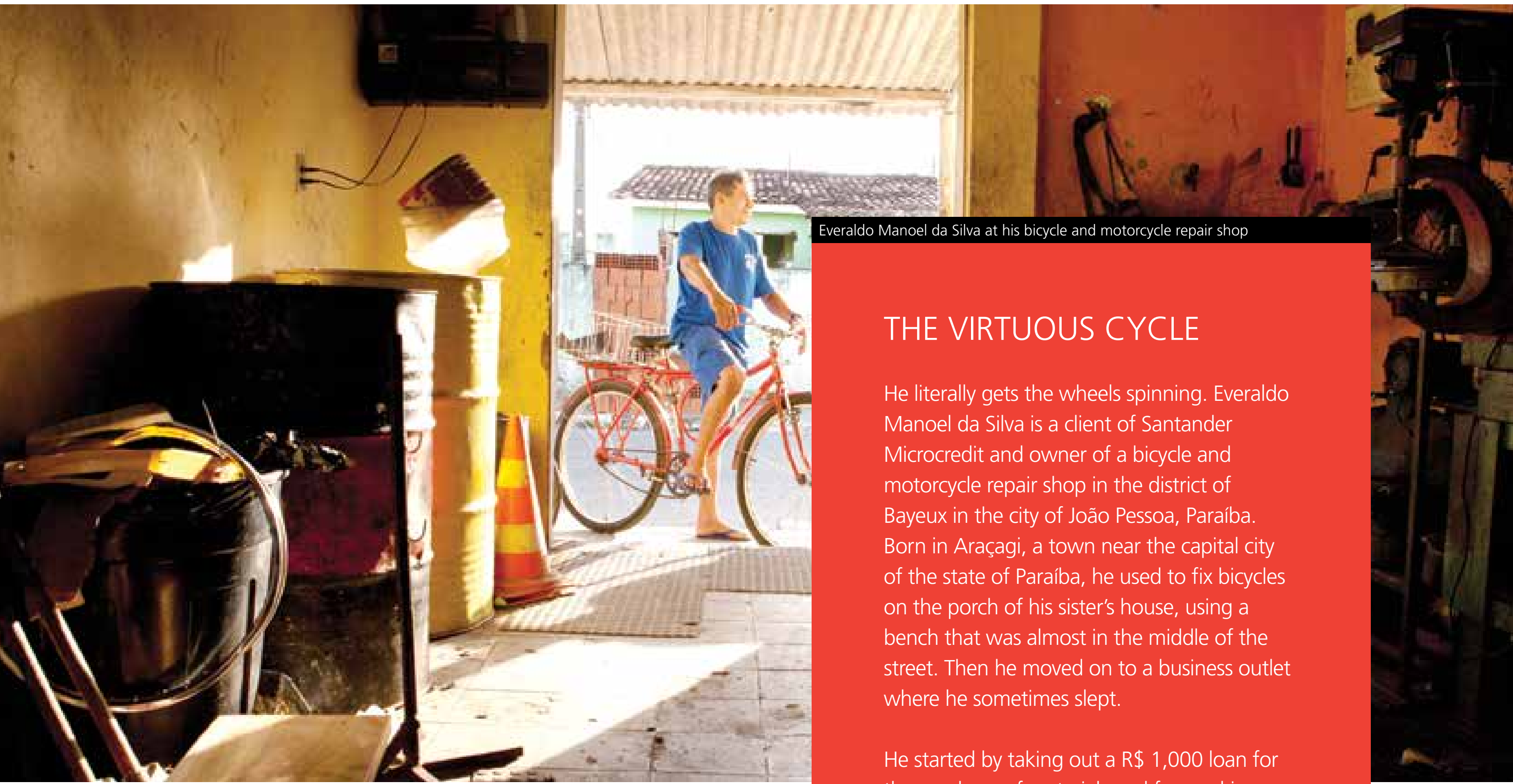
Payroll is an important tool in expanding our client base. We made great progress in this area in 2012: over 200 major deals with important partners in the Wholesale, Government & Institutions, and Universities segments resulted in 351,000 new individual clients receiving their paychecks at Santander branches throughout Brazil.

The most well-known companies include White Martins, SESC-São Paulo, Camil, Unimed Porto Alegre, and Intermédica. Furthermore, the bank renewed its corporate partnerships, representing almost 500,000 individuals.

AGRIBUSINESS

Santander’s loan portfolio in the agribusiness segment ended 2012 with 45,000 clients and R$ 5.28 billion worth of transactions. The bank financed the entire process from sowing costs to marketing, plus any loans allocated to the operations, improvement, and expansion of production structure and crop storage.

As a means of streamlining the phases involving the analysis, approval, and release of credit to the agricultural sector, we worked together with 85 specialist companies registered in 2012. These companies are coordinated by the bank and are responsible for the entire process of the collection, analysis, and delivery of documents associated with the activities of rural producers in mainly agricultural regions.



Everaldo Manoel da Silva at his bicycle and motorcycle repair shop

MICROCREDIT FS7 FS13

Santander Microcredit was created in 2002 with the aim of benefiting small entrepreneurs with no access to conventional credit lines and who needed resources and guidance to leverage their business.

Santander decided to work with the assisted productive microcredit model instead of consumer microcredit. This former gives small entrepreneurs from low-income communities the opportunity to play an important role in the transformation of their social status.

The combination of credit and financial guidance helps entrepreneurs improve the performance of their business while transforming it into a long-term sustainable project. In addition to helping the entrepreneurs themselves, the assisted productive microcredit model creates a virtuous cycle which ensures benefits for the entire business environment. As a rule, around 70% of the income generated in these ventures is channeled into the community.

The operation celebrated ten years of activity in 2012 and is growing increasingly stronger. Since 2008, when the operation achieved the break-even point, it has been growing steadily and already ranks as the largest productive microcredit program among all private banks in Brazil. At the end of last year, the initiative served 118,000 clients in over 600 townships in ten states while boasting a loan portfolio of R$236.5 million, an increase of 27% in relation to the close of 2011. Since the beginning of the operation, more than R$ 1.5 billion has been granted to support small entrepreneurs.

Currently, 90% of the loan portfolio is located in the northeastern region of the country, and 70% of the client base is composed of women. Non-delinquent loans under the 90-day criterion exceed 98%.

THE VIRTUOUS CYCLE

He literally gets the wheels spinning. Everaldo Manoel da Silva is a client of Santander Microcredit and owner of a bicycle and motorcycle repair shop in the district of Bayeux in the city of João Pessoa, Paraíba. Born in Araçagi, a town near the capital city of the state of Paraíba, he used to fix bicycles on the porch of his sister's house, using a bench that was almost in the middle of the street. Then he moved on to a business outlet where he sometimes slept.

He started by taking out a R$ 1,000 loan for the purchase of materials and for working capital. "Everyone goes through difficult moments and sometimes thinks about giving up. Thankfully, Santander Microcredit got me through tough times," reveals the mechanic. Everaldo now owns his own home (from which he operates his repair shop), a bar run by his brother, and a grocery store established in his nearby building for his wife to run.

His small repair shop also has two full-time registered employees. One is 26-year-old Daniel da Silva Lira, who began working for Everaldo when he was 16. Inspired by the mechanic, he dreams of owning his own repair shop, too. "My dream is to have a business like his, somewhere else, but following in his footsteps," he states.

SANTANDER UNIVERSIDADES

We believe that investing in higher education is the most direct and effective form of promoting the development of the countries in which we operate. Santander Universidades is the means through which we exercise this belief, supporting both public and private institutions of higher education, students, professors, researchers, and administrative staff by means of partnerships in academic projects, domestic and international scholarship programs, awards, and banking products and services.

Our global activities encompass 1,040 agreements in 20 countries. We have a network of agreements of which 10 of the 13 best universities in the world and the 200 of the best Ibero-American universities are a part. The estimated global investment for 2011-2015 amounts to R$ 1.4 billion, R$ 255 million of which will be allocated to higher education in Brazil.

In Brazil, we have agreements with 435 institutions of higher education, 331 university branches, and 2 million clients. Moreover, we have 270 agreements entered into by the Universia network. We support over 1,500 academic projects and have awarded over 57,000 domestic, international, and e-learning scholarships (2005 to 2015).

By stimulating research and the mobility of students and professors, we are contributing to the internationalization of academic activity, transferring knowledge from campus to society.

GLOBAL SCOPE

Santander Universidades has awarded over 95,000 scholarships since its inception in Spain in 1996. Throughout 2012, we consolidated our platform for International Mobility Programs which became even stronger, allowing for hundreds of students and professors to further their academic training in other countries. In all, ten programs enabled university students to study in Spain, the U.S., England, and China, among other countries. Santander Universidades Brasil's International Mobility Programs have benefited more than 3,200 university students, over 300 professors, and more than 20 university deans.

One of the highlights of 2012, the 8th edition of the Santander University Awards, boasted a record number of registrants (10,252 participants from 599 universities) and a closing ceremony attended by D. Emílio Botín, of Aloízio Mercadante, Minister of Education, and 220 Brazilian and foreign university deans. The initiative turned into the most prestigious award in Brazilian academia.

Other relevant high-impact initiatives in 2012 were:

- The Amazon 2020 Program: geared toward federal universities in the northern region of Brazil (international scholarships, seminars, e-learning courses, and a digital site were delivered in 2012).
- The Rio Communities Program: geared toward the training and professionalization of people from communities in Rio de Janeiro in areas where the cultural group AfroReggae is present. In 2012, we delivered lectures on financial guidance, seminars and advisories on entrepreneurship, e-learning courses, international scholarships, and a digital site, directly impacting almost 10,000 people (read more in the Indicators section). FS16

PRIVATE BANKING

The drop in interest rates reduced the profitability of fixed income investments. As a means of recovering this profitability, the Private Banking area made efforts to diversify client investments, channeling part of the funds into alternatives such as investment funds, the stock market, and bonds.

The Private Banking market is on the rise in Brazil. In December 2012, the country had R$ 527 billion in assets under management, an increase of 21.4% compared with December 2011, according to figures from the Brazilian Association of Financial and Stock Market Entities (ANBIMA).

We opened two Private Banking offices in 2012, one in Campinas (SP) and the other in Porto Alegre (RS), totaling six offices where clients, in addition to discussing their investments, can conduct their banking transactions with greater agility, comfort, and safety. Two more offices are due to be opened in 2013, in Brasilia (DF) and Recife (PE).

We also implemented Private Direto, an exclusive telephone service for clients, with an average waiting time of less than 10 seconds, whereby clients can check balances and perform transactions.

Due to the drop in the interest rate, we increased the number of events covering topics on economics in order to provide clients with an outlook on this new low-interest-rate scenario.

We have made significant advancements in terms of client satisfaction. According to a survey conducted by the Ipsos Institute, the number of clients who regard Santander as the best in Private Banking on the Brazilian market doubled in 2012.

THIRD PARTY ASSET MANAGEMENT AND INSURANCE

ASSET MANAGEMENT

Santander Asset Management, the global entity responsible for third-party asset management, is present in 12 countries: Spain, Brazil, Germany, Argentina, Chile, Mexico, Puerto Rico, Portugal, England, Luxembourg, Poland, and Japan, with total assets under management of 141 billion euros[1].

The lower interest rate scenario in Brazil led the investment funds industry to begin offering differentiated products to provide unitholders with the chance of better returns. As such, Santander Asset Management began to offer funds in 2012, such as Santander FIC FI Inflação Renda Fixa and Santander FIC FI Pré Renda Fixa (Santander FIC FI Fixed Income Inflation and Santander FIC FI Pre-Fixed Income), to the retail market as well. Additionally, in January 2013 we launched a real estate fund for private banking investors.

We strove to offer share funds, which performed extremely well in 2012, enabling investors to enter a market which is still relatively unexplored by Brazilians. As part of a strategy of offering exclusive products to its clients, Santander Asset Management maintained its premier position with its protected capital funds. Santander Asset Management is the market leader in this sector with a 40% share, according to data published by the Quantum system in December 2012.

We simplified the range of funds for the retail segment while reducing the offer by 35%. This strategy, which is a part of our goal to become our clients' bank of choice, was a way of providing investors with a more practical and simple service. This work will be extended to other departments in the bank throughout 2013.

Another change effected in 2012 was Santander Asset Management's introduction of the criteria for selection of the assets in its sustainability fund portfolios and in decision-making related to traditional investment funds, an initiative which is due to be intensified in 2013.

Furthermore, we created an area dedicated to serving foreign investors, underlining our commitment to branching out into other markets and diversifying revenue. Another significant step forward in 2012 was the creation of an offshore vehicle to enable our local funds to be invested abroad while increasing opportunities in diversification for our Brazilian clients.

Santander Asset Management manages the resources of 699 investment funds for a total of 886,000 unitholders (December 2012). The positive business performance enabled Santander Asset Management to maintain the AMP-1 rating assigned by the credit rating agency Standard & Poor's (S&P). In December 2012, for the third consecutive year, S&P recognized Santander Asset Management for its operating practices and very strong controls, disciplined investment management processes, and good fiduciary principles. Moody's also assigned the Investment Manager Quality of MQ1, its highest rating, to Santander Asset Management in Brazil.

In Brazil, we grew by 5.1% in 2012, ranking as the sixth largest asset manager according to ANBIMA[1], with R$ 134.935 billion in assets.

[1] Data from December 2012.

INSURANCE, PENSION FUNDS, AND CAPITALIZATION SECURITY

In 2011, Santander entered into an international partnership with Zurich Seguros. The two companies created a joint venture, Zurich Santander, which was entrusted with the development of insurance and pension fund products. In turn, the bank began concentrating on the distribution and marketing of this portfolio. We developed two new products in the early stages of the partnership: Seguro Proteção Cobertura Premiada para CP (Personal Injury Insurance) and Cheque Especial Protegido (Secured Overdraft Financing).

Commissions in 2012 amounted to R$ 1.5 billion, the highlights being housing (24%), residential (16%), and loan (8%) insurance.

We launched a new pension fund product, Santander Prev Inflação, for clients with an aggressive investment profile who are willing to take risks and are interested in maintaining their lifestyle after retirement.

We also developed exclusive pension fund products for Private Banking clients in 2012, which helped us surpass R$ 500 million in net funding.

The best performing product in relation to Capitalization Securities was Reserva Protegida, geared toward corporate clients, the sales of which rose by over 60% in 2012. New sales of single-payment securities increased by 66%, and monthly payment securities grew by 29%.

WHOLESALE

Despite an economic downturn in 2012, Santander maintained its market position by relying on both its local and global strengths.

The synergy among the wholesale areas ensured the performance of complex, well-structured business, such as the issuances for Petrobras in the USD markets, which totaled US $ 7 billion in 2012. Santander also led the way in terms of issuances for Brazilian companies in fixed and variable income transactions and in the area of mergers and acquisitions. The bank participated in the coordination of 18 bank and corporate bond issuances in the international market, with a 6.9% market share for this type of transaction.

CORPORATE

In 2012, the corporate area, which deals with companies with an annual revenue of over R$ 80 million, strove to become closer to clients while attempting to become more familiar with their strategies and needs in order to offer the appropriate guidance, services, and products. To this end, we continued strengthening and streamlining our business structure, in addition to reinforcing product support.

We consolidated the steady growth of our assets portfolio via credit operations, and added value to our clients' strategies by means of structured operations and investment banking solutions. By means of derivative products, we offered protection and solutions that reduce the effects the volatility of the various indices upon businesses. We also introduced a first-rate and differentiated proposal in the Acquirer and Cash Management area in the form of a new technology platform.

The Brazilian market as a whole was adversely affected by the rise in default levels resulting from the economic downturn related to the forecasts of late 2011. We stood by our clients, supporting them in order to minimize the impact of the slump in economic activity on their immediate liquidity, allowing for the continued investments and growth of the companies, despite the adverse scenario.

SANTANDER GLOBAL BANKING & MARKETS (GB&M)

In 2012, Santander was also part of the coordination efforts of 18 offerings of bank and corporate bonds in the international market, totaling US $ 3.5 billion, placing Santander sixth in sector rankings for banks operating in Brazil, equal to a market share of 6.9%. In relation to corporate bonds, the bank ranked fifth in the sector, totaling US $ 2.7 billion with a 9% share, according to data published by Bond Radar.

One of the highlights of the year occurred in February, when Petrobras returned to the USD market about a year after the company last issued in this currency. The Brazilian oil producer issued US $ 7 billion in a 4-Tranche Corporate Bond (New 3y/New 5y/Retap 2021/Retap 2041), a transaction which generated a book of around US $ 25 billion (excess demand of 3.6x) and in which Santander operated as book runner.

Furthermore, the bank participated in 15 transactions in the local market, raising R$ 4.5 billion in funds for the companies involved.

Our Equity Capital Markets (ECM) area has served as coordinator in several transactions in Brazil in recent years. The bank ranked fourth in the issuance of shares in Latin America in 2012.

In the area of mergers and acquisitions, we served as financial consultant for several major transactions, including the acquisition of 100% of Atento by Bain Capital; the acquisition of 100% of Shopping Bonsucesso by General Shopping Brasil S/A; the preparation of an assessment report for the IPO for the cancellation of the registration of joint-stock company and withdrawal from the Novo Mercado of CCDI-Camargo Correa Desenvolvimento Imobiliário S.A.; the acquisition of 100% of Vitopel by Vision Capital; the sale of 100% of Unicid- Universidade Cidade de São Paulo to Universidade Cruzeiro do Sul; and the advisory services for the board of directors of Cimpor in connection with the offer made by Intercement (Camargo Corrêa).

Santander's international presence, with products and services distribution platforms in Madrid, London, and New York, is another competitive advantage in this market. Brazilian companies wishing to take advantage of business opportunities in Europe use the bank as a safe means of expanding their markets.

EQUITIES

The Equities area is responsible for the execution of share purchase and sale orders for individuals and institutional investors, especially equity fund managers 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 a year in which the stock market faced considerable hurdles, the Individual area performed commendably. While the Bovespa Index grew by 7.4%, the dividend and Private Portfolio recommended by the Equities area for individuals achieved a return of 12% and 15% in the period, respectively. Two short-term strategies in the equity market geared toward this segment allowed for an appreciation of 31% in long-short and a 41% increase in short-term trader transactions.

Our relationship strategy in this segment is still based on our Salas de Ações (Equity Rooms), a specific room at the bank's branches where the client can rely on the support of equity market specialists regarding the right time to invest. A pioneer in this type of service, Santander has approximately 100 rooms, and is now the bank with the largest number of equity trading rooms in Brazil.

WHILE THE BOVESPA INDEX INCREASED BY 7.4% THROUGHOUT THE YEAR, THE DIVIDEND AND PRIVATE PORTFOLIO RECOMMENDED BY THE EQUITIES AREA FOR INDIVIDUAL CLIENTS ACHIEVED A RETURN OF 12% AND 15% IN THE PERIOD, RESPECTIVELY.

CREDIT MARKETS

In 2012, revenue from Credit Markets grew by 18%, while the volume of transactions rose by 60% on average.

Despite the sharp drop in the SELIC rate, which encourages companies to seek financing in the capitals market, the Debt Capital Markets area was extremely active, registering a 36% increase in income.

We conducted the first transaction in the Brazilian market for infrastructure debentures with tax incentives (pursuant to Law No. 12,431, which reduces income tax on debentures geared toward infrastructure). This transaction helped seal the construction of the Garibaldi Hydroelectric Plant, a long-term venture located in the state of Santa Catarina. A total of R$ 100 million was issued.

Among the highlights we can name the issuance of US $ 7 billion in bonds for Petrobras, issued in four tranches, which was elected the best quasi-sovereign bond of the year by the magazine LatinFinance.

The project finance agenda was also full throughout 2012, with Santander present in almost all the main transactions. The number of transactions more than doubled from 18 to 38, or more than three per month, with a growth of 6% in revenues.

This area provides support to a wide range of projects, from football stadiums to barges for the transportation of iron-ore via waterways, ethanol pipelines, and projects of urban mobility, in addition to projects in the energy sector, which account for a third of the Project Finance portfolio.

The Asset & Capital Structuring (ACS) division expanded 54% in 2012. Among other activities, this division is responsible for making proprietary investments in renewable energy projects. Santander Brazil is the only bank involved to such an extent in wind farms in the country, a competitive advantage inherited from the Company's experience in investment and advisory services in the European sector (see more in the box below).

A wind farm in the northeastern region of the country, funded by Santander.

INVESTING HEAVILY IN RENEWABLE ENERGY

In recent years, Santander Brazil has emerged as the most actively involved bank in renewable energy in the country. Besides participating in transactions through advising and taking charge of the financial structuring, Santander is the only financial institution to make proprietary investments in the sector.

The Asset & Capital Structuring (ACS) area, which has a dedicated team to deal with this topic, enables Santander Brazil to operate as a partner and joint-manager in renewable energy projects. Thus, Santander enables the venture and finds an opportunity to recover the capital invested by disposing of its interest at a later date.

This activity commenced in 2008 with involvement in the Cassino (RS) wind farm, based on the knowledge Grupo Santander had gathered from similar operations in Europe.

In 2012, the bank was involved with 10 wind farms in the states of Rio Grande do Sul, Ceará, and Rio Grande do Norte. These farms will have a total installed capacity of 223 MW.

GLOBAL TRANSACTION BANKING (GTB)

The Global Transaction Banking area deals with day-to-day client relations involving transactions such as trade finance, loans, cash management, and custody.

In 2012, given the lower liquidity in foreign currency, funding at higher prices, and restrictions to pre-payment for exports (PPE), we sought competitive alternatives and reinforced our performance in advisory services to clients. We entered into a partnership with the Korean Finance Corporation (KoFC) and the Korean Export Credit Agency (Ksure) to facilitate long-term loans with strong ties to the Korean economy. As a consequence of the quality of our services, we were chosen for the fifth consecutive time, through evaluations from our clients, as the “Best International Trade Bank in Brazil” for 2012, according to Trade Finance Magazine (Euromoney).

In Loans, we reinforced our performance by financing the development and production chain of our clients, structuring a BNDES team and increasing our loan portfolio by 102% to our clients’ more than 5,000 suppliers.

In cash management activity, revenue from transactions increased by around 12% in 2012, and the products from this area significantly reinforced our cross-sell strategy and provided services to all segments, from large corporations to small and medium enterprises.

In the Custody segment, we increased the volume of third-party assets under custody by 20%, due to increased team exposure to the market and the consolidation of the Santander brand among institutional investors. Also worthy of note is our strong penetration into international private equity funds, thanks to the important mandates we were awarded in 4Q12.

RATES

The area of Rates, in charge of foreign-exchange, deposit, and derivative transactions, significantly diversified its operations in 2012. Throughout the year, this area sought new solutions for clients, focusing on cross-selling with the GB&M areas and other segments of the bank.

In partnership with the GTB area, we registered R$ 11.4 billion in local assets with indices such as IPCA, IGPM, TJLP (these Brazilian acronyms respectively stand for Consumer Price Index, General Market Price Index and Long Term Interest Rate), and USD, switching from CDI funding to the final asset index. We launched SuperGiro Premium Plus in the corporate retail segment, an innovative and unique product which provides exemption from payment of up to three installments.

We conducted innovative transactions in the local market in the Credit Markets area in 2012. One of the most noteworthy is the first issuance of debentures in TJLP, totaling R$ 185 million with a two-year maturity term. This transaction enabled clients to increase exposure to low-volatility financial indicators and reduce exposure of CDI in the long term. We also closed a total amount of R$ 1.4 billion in TJLP swap flows with up to 10-year terms.

In relation to funding products, we registered a total of R$ 10 billion in liquidity for Santander Brazil and US $ 2.7 billion for the Cayman branch. These amounts were raised from GB&M corporate and institutional clients.

We also placed private bonds pegged to the Chilean inflation with Chilean insurance companies and pension funds in the amount of US $ 43 million. We paid out US $ 25 million to Asian investors, the first Santander Brazil issuance pegged to the Chinese currency (Chinese Renminbi - CNH).

We advanced one position in the local foreign exchange market, according to the ranking published by the Central Bank, ending the year in fifth place with US $ 116.5 billion traded. In number of transactions, we ranked fourth with a total of 660,000 transactions in 2012.

Over the year, we held regional training activities on the product and proceeded with the project for expansion of the distribution of foreign exchange in the Corporate and Retail segments.

EQUITY INVESTMENTS

This area is in charge of conducting private equity investments with 100% of the resources from Santander, investing in companies with significant growth potential and top-quality management that either integrate or have the potential to integrate our client base.

This area is focused on the identification, assessment, and structuring of investment opportunities in order to obtain attractive returns and provide alternative financial and strategic support to Santander's current and potential clients.

Since its creation in 2008, this area has already analyzed more than 180 investment opportunities in several sectors and has invested a total of R$ 1.1 billion. This area invested R$ 261 million and generated revenues for the bank of R$ 139 million in 2012, mainly from dividends and proceeds from the sale of assets.

Highlights of transactions concluded in 2012 include:

- an additional investment of R$ 250 million in the second issuance of FIP Sondas quotas, the controlling fund for Sete Brasil Participações S.A., a company created to own and charter pre-salt drilling rigs to Petrobras and which, in 2012, secured 21 new charter contracts with Petrobras
- an additional investment of R$ 10.9 million in the capital increase of Renova Energia S.A., aiming to maintain our equity interest
- disposal of 100% of the senior quotas held by Santander issued by FIDC – Crédito Corporativo Brasil, a credit fund for private companies
- IPO of Transmissora Aliança de Energia S.A. (TAESA) totaling R$ 1.7 billion, generating a significant profit on the investment

Also worthy of mention is 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.

To this end, Santander acquired a minority stake in ODC Ambievo, a company whose businesses include the development of sustainable solutions for soil remediation and industrial degreasing.

INTANGIBLE ASSETS

WE ARE IN THE PROCESS OF CREATING A BANK FOR YOUR IDEAS

For a global bank such as Santander, brand is an important symbol that uniquely identifies us anywhere in the world. However, even more so, it is a strategic asset which summarizes the client's day-to-day experience with the bank.

In our effort to become both a simple bank and the bank of choice of our clients, which are specific goals of our Mission launched in 2012, the brand also guides us in the creation of processes, policies, and practices that provide a unique and improved relationship with our audience.

FOCUS ON THE CLIENT

Simplicity, agility in services, and enhanced communication channels to be the client's bank of choice were a part of our communications in 2012. These factors were also key to underlining Santander's commitment to Brazil and Brazilians.

We aired the campaign "Santander. Investing heavily in Brazil," which reaffirmed our cornerstones of strength and leadership.

In early 2013, the client continues to be the guiding principle of our campaigns. We believe companies should concentrate on listening rather than speaking, and reinvent themselves in order to earn the preference of consumers. This is how client empowerment increases within the bank. This is why we are aware of their needs and are capable of providing products and services which are increasingly suitable to their requirements.

PEOPLE MANAGEMENT

The process of developing and creating awareness of the new Mission depends largely on the involvement of the approximately 54,000 professionals working at Santander Brazil. To that end, we mobilized the 900 senior leaders of the Organization to participate in workshops to deliberate on the meaning of each concept of the mission and the means of disseminating and putting them into practice on a daily basis.

Then, over 78% of our employees and interns took part in "Dialogue about the Mission," an event designed to promote debate on the issue and to discuss what is actually required to create the bank we wish to be.

Our mission was used as the basis for Where We Stand as an Employer, whereby we make clear what we have to offer our employees, interns, and potential applicants and which, consequently, makes working at Santander a unique experience. We are talking about a series of products, services, and interactions which promote the professional and personal growth of our people in a challenging, multicultural, cooperative environment that encourages new ideas.

The pillars that form Where We Stand as an Employer are based on:

- Opportunities for careers and recognition
- Valuing people
- The continuous development of managers
- Incentives for innovation
- A participative and collaborative environment
- Belonging to a prestigious company

Some of the initiatives supporting these pillars are:

Development: We continue to encourage our employees' development and support their professional training and growth throughout their career. We invested R$ 108 million in training in 2012, up 13% YOY. We also developed new training content for the Private, Corporate, and GB&M areas which, added to the existing content, expands the vision of employees related to the possibilities for developing their careers in business areas.

Management and Leadership: The Ser Gestor (Being a Manager) program, which had the participation of more than 990 employees 2012, offers coordinators, supervisors, and managers of the bank a curriculum focused on the development of people-management skills at different stages of their careers. Over 500 employees took part in Ser Líder Santander (Being a Santander Leader), a development program to prepare leaders to inspire and engage teams, striving to achieve business objectives and to ensure consistency between the strategic content of the Organization and its practice. The program was created in 2009 and includes individual coaching, assessment, and interactive seminars.

Internal Mobility: We held around 110 career workshops in 2012, attended by 2,478 people, to debate issues such as self-development, career, and mobility.

Engagement: Between June and September 2012, over 13,000 employees and interns took part in Sustentabilidade para Todo Lado (Sustainability all Around), a challenge which tested the knowledge and performance on sustainability of employees, both individually and in their corresponding regional branch networks.

Diversity: We constantly strive to promote the social inclusion of historically excluded groups, and to include the issue in integration programs for new hires and courses and training activities for managers and employers. We selected five key themes on which to focus: diversity on gender, race, sexual orientation, age, and people with disabilities.

We currently have over 2,600 employees suffering from some kind of physical, hearing, visual, or intellectual disability working at the bank, all of whom are given the opportunity to develop within the same conditions enjoyed by other employees. In September 2012, we surpassed our statutory quota of 41 employees and ended the year with 119 people above the goal (details of this and other initiatives can be found in the Indicators section).

The experiences concerning the Mission, the disclosure of Where We Stand as an Employer, and the other engagement activities implemented had a significant impact on our 2012 Climate and Engagement Survey, which grew by 8 p. p. compared with 2011. The survey revealed, for example, that 73% of the Organization is familiar with the pillars of Where We Stand as an Employer and that 81% would recommend Santander as a good employer, an increase of 4 p. p. compared with the previous year.

THE 2,681 EMPLOYEES SUFFERING FROM SOME KIND OF PHYSICAL DISABILITY ARE GIVEN SUPPORT TO DEVELOP PROFESSIONALLY

MORE QUALITY AND AGILITY FOR OUR CLIENTS

The efforts to simplify the bank's processes are not limited to the measures taken in the business areas. In 2012, we implemented a series of improvements to our customer service channels with the aim of streamlining complaint processing and enhancing our client relations.

One of the initiatives to that effect was the reduction in the response time for complaints submitted by the Ombudsman, which fell from 10 to 5 working days, less than the 15-day period defined by law. Our response time in relation to SAC (Consumer Support Service) is one day on average, and 50% of cases are resolved on the same day. The legal deadline is five days.

In the same vein, we improved the process of addressing complaints received by PROCON (a consumer advocacy entity). We also improved our electronic system, which gave us greater control over complaints and reduced response times, and introduced ProconFone, a telephone service for clients that utilized PROCON, reducing the time taken to resolve complaints from 6 to 2.6 days.

We also made improvements to the IVR (Interactive Voice Response) and to the Complaints Registration System in order to streamline the service and enhance the management of client complaints, ensuring greater quality of services.

Lilian Guimarães, Vice President of HR, at the Mission in Action workshop

MORE INTERACTION WITH SOCIAL MEDIA

The year 2012 was also marked by the reinforcement of our presence on social media, reaching the 500,000 fans mark on Facebook and 48,000 followers on Twitter. We believe this is another important relationship channel with our clients and prospects, where we are able to discuss issues of mutual interest, increasing engagement and involvement with the brand. Furthermore, it is a powerful consumer service tool.

We therefore created two new channels on Facebook: one geared toward university students, which already has 260,000 fans; and the other focused on partnerships which generate direct benefits for our clients, Santander Esfera (around 60,000 fans), providing in a single environment discounts and advantages for holders of the Santander Card and for merchants accepting the card (read more in the Indicators section).

In 2012, a total of 32,000 users submitted around 82,000 questions*, 79% from the Santander Brazil fan page and 20% from Santander Responde. There were around 600,000 views in all, totaling over 226,000 visits (an average of 18,000/month).

Santander Responde was used by 53% of users as one of the customer service channels, and 21% of the questions were answered immediately.

* We regard all interactions with the Santander Brazil and Esfera fan page as questions.

QUICK ANSWERS

REDES SOCIAIS	NUMBER OF CONTACTS
Facebook	40,449
Twitter	48,257
Total**	88,706

** Sum of the social network data.

SHARING OF PRACTICES

At Santander, we relate to a number of audiences on the topic of sustainability. Through the Espaço de Práticas em Sustentabilidade program, we share our experience in including the concept of sustainability in the business in order to facilitate business management while accelerating the development of sustainability practices in Brazil. Since its inception in 2007, the program has included both online and classroom activities. In 2012, the program website boasted over 1.1 million visitors.

In 2003, we started promoting the Encontros de Sustentabilidade meetings, as part of the Práticas program, with the purpose of promoting both thought and debate on the topic among specialists, employees, clients, suppliers, business partners, and society at large. In order to enhance debate on the topic in the year that the Rio+20 meeting took place, in March we promoted a seminar with Fritjof Capra, one of the most prestigious systems theorists and ecological systems thinkers. The seminar discussed the challenges posed by qualitative growth to organizations and their leaders and the potential of Brazil to lead this initiative. The seminar was attended by 660 people and was held at the Centro de Convenções Sul América in Rio de Janeiro, while 2,272 people watched it via the web.

We also promoted the Santander Práticas de Educação para Sustentabilidade award in order to acknowledge and disseminate real- life cases of graduate course professors in business management and economics who added the topic sustainability to the core common curriculum in the first term of 2012. We had over 250 contestants, including 41 proposals and 32 cases which are available on the initiative's website: www.santander.com.br/praticasdeeducacao. The authors of the three best projects were awarded with a scholarship to attend entrepreneurship courses at Babson College in the USA. The effort also promoted both online and classroom discussions on education and sustainability. The award ceremony was a public event that was broadcast on network TV, featuring the presence of the former Minister of the Environment Ms Marina Silva and the presentations of the six finalists, who shared their experience with the audience.

In 2012, we also attended the UN Conference for Sustainable Development. In June, we joined the Rio+20 efforts by sponsoring forums and projects such as the hydrogen-powered bus. Our officers, including our CEO Marcial Portela, delivered lectures and participated in seminars and debates. Throughout the event, we reported our sustainability goals in connection with the UN Global Compact.

The new Santander Data Processing Center

CUTTING-EDGE TECHNOLOGY

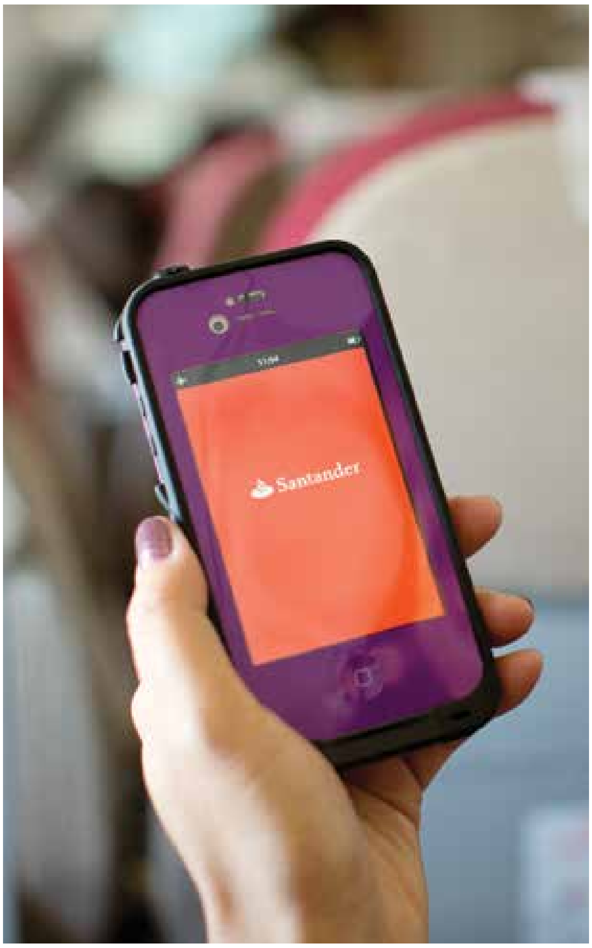
Technology is a key support tool in all our processes toward becoming both a simple bank and the bank of choice for our clients.

With inauguration scheduled to take place in 2013, our Data Processing Center, located in the city of Campinas in upstate São Paulo, enables us to attain a new level in technology that will provide the bank with support for future growth.

Installed in a 660,000 Sq m area, the Center is the first facility in Latin America to meet the demand of maximum availability, which places it on the Tier IV level on an international scale that goes from 1 to 4. Worldwide there are only six data centers at this certification level, including those in both the construction and the operation phases.

We also promoted a huge effort to replace and update our ATMs. In 2012 alone, we introduced approximately 3,500 new ATMs and refurbished approximately 500 existing ATMs. The new facilities are energy efficient, which in turn enhances the availability for our clients.

We also updated our internal technology, especially at our branches. Teller terminals, laptops, and desktop computers were replaced by new, more efficient and productive equipment in terms of technology and savings. The operation involved more than 4,000 pieces of equipment.



THE SANTANDER MÓVEL PROGRAM

In 2012, the Santander Móvel mobile banking program became increasingly popular among our clients. Launched in 2011 for individuals only, the initiative now boasts over 421,000 users. In 2012, more than 37 million visits via mobile devices were performed, with over 2 million transactions completed via this service (available for both Apple and Blackberry platforms, and for devices running the Android operating system).

The most common transactions performed using this mode are viewing account balances, credit card statements, and invoices and mobile phone top-up services. Gradually, clients are starting to use this tool for other types of transactions such as payments, transfers, investments, and loans.

By the end of the year, we made Mobile Banking PJ available to corporate clients. This is a new relationship channel that will allow full mobility and comfort for business owners to gain access to services such as viewing account balances, statements, and authorizations.

IN 2002, THE NUMBER OF VISITS VIA MOBILE DEVICES EXCEEDED 37 MILLION

THE VALUE OF PARTNERSHIPS

QWe strive to build quality ties while strengthening partnerships with our suppliers by incorporating sustainable principles and practices in our everyday activities. This relationship relies on the support of the UN Global Compact, with the purpose of stimulating the international corporate business community to adopt core values that are universally accepted on the topic of human rights, labor relations, the environment, and the fight against corruption.

The first step to become a Santander supplier is the approval process whereby interested companies are assessed in terms of technical, administrative, financial, legal, social, and environmental and governance aspects. Since 2010, suppliers providing high-impact services such as technology, security, logistics, and call centers must go through a qualification phase under the Índice de Qualificação de Fornecedores (Supplier Qualification Index program - IQF). IQF is a scoring system based on the analysis of documents, technical visits, and reports. In 2012, a total of 156 companies answered the IQF questionnaire. HR2

In order to avoid the risk of any human rights incidents, the services/supply agreement includes a clause on social and environmental responsibility, whereby the provider/supplier agrees to avoid any type of discrimination, to respect the environment, to cooperate in the prevention of child/bonded labor, and to avoid moral and sexual harassment, to name a few. HR6 HR7

In the case of any non-compliances with this clause while performing any work for the bank, we take immediate action to remedy them. For example, during the construction phase of our Data Processing Center in Campinas we had isolated issues with two suppliers and we took prompt action to remedy them.

One of the challenges in 2013, which has already been addressed, is the improvement of the governance of our value chain, especially with suppliers.

STRUCTURED AND PERMANENT ACTIONS

WE PROVIDE SUPPORT TO ANY PROJECTS THAT GENERATE A LEGACY TO COMMUNITIES IN THE LONG-TERM, REGARDLESS OF OUR DIRECT PARTICIPATION.

Our social and cultural investment policy strives to promote inclusive actions with the participation of our stakeholders, including employees, interns, suppliers, clients, the government, and society at large.

Our performance is in line with this new sustainability positioning, and thus our social investment is strongly focused on topics such as education and entrepreneurship.

In the area of investment in culture, we sponsor projects that both promote and generate a long-term legacy to communities. We stimulate culture with a modern vision and a global view, while valuing locally produced products. Thus, we promote the production of knowledge and the dissemination of artistic experiences in an educational manner in order to stimulate creativity and thinking.

R$ 113.8 million
WAS THE AMOUNT ALLOCATED TO SOCIAL AND CULTURAL INVESTMENTS IN 2012

SOCIAL INVESTMENT SO1

Our social investment is made in a planned, monitored, and systematic manner in order to promote changes that ensure access to the rights of citizenship and a dignified life for all.

Throughout the years, we have developed initiatives that contribute to social and economic inclusion of the Brazilian population on topics of education, entrepreneurship, and income generation, including the promotion of rights of children, adolescents, and senior citizens.

Through structured and permanent actions, we strive to strengthen public policies while stimulating communication channels with relevant communities. We also strive to both advance and enhance our actions via the exchange of knowledge and competencies, while monitoring and assessing outcomes.

During the Rio+20 meeting in 2012, two of our initiatives, the Projeto Escola Brasil and the Amigo de Valor, were included in the set of goals taken on with the UN Global Compact. Both were surpassed with better-than-expected results. (read the commitments on page 104).

MORE EDUCATION

The Projeto Escola Brasil (PEB) is our volunteer program that seeks to contribute to the improvement of the public elementary schools throughout the country via the voluntary work of Santander employees, who work with principals and other members of the school community.

The PEB project provides training and tools for the volunteers to help the school community identify the school's strengths and weaknesses and draw up and carry out an action plan that promotes continuous improvement in the quality of education. In 2012, we expanded the number of PEB volunteer groups to 313, a 37% growth YOY; this means that the 15% goal established for the Global Compact has been surpassed. Currently, we rely on 3,030 volunteers (a 61% increase) in a partnership with 221 schools throughout Brazil.

We have ongoing Training Programs of Educators. Between 2006 and 2012, through 10 initiatives offered in partnership with PEB, these programs trained about 1,800 educators, among them representatives of Boards of Education of municipalities participating in the programs and principals, assistant principals, school counselors, and teachers from partner schools and local public school systems. Our intention is to contribute to the creation of a network for the continued chain of training, which involves audiences ranging from public administrators to teachers from the municipal and state public education networks. Between 2011 and 2012, we developed programs such as *Além das Letras* and *Além dos Números* (Beyond Letters, Beyond Numbers), focused on the technicians working for the Boards of Education in partner municipalities; and the Progestão Online, an initiative sponsored by the

Conselho Nacional de Secretários de Educação (CONSED) to develop school leaders. With an investment of approximately R$ 585,000, the three programs benefitted 25 municipal public schools in 2012, training 42 technicians working for Boards of Education; and 377 educators directly and 6,405 educators indirectly who, combined, work in 461 public schools, 30 of which are PEB partners.

The Santander Programa de *Educação Infantil* (Child Education Program) aims to improve the quality of the education provided to children aged 0-5 in the daycare and pre-school units built with funds provided by the *Proinfância* program - the The Federal Government's *Programa Nacional de Reestruturação e Aquisição de Equipamentos para a Rede Escolar Pública de Educação Infantil* (National Program for the Restructuring and Acquisition of Equipment for the Public Child Education Network). The initiative provides technical and educational support to the Boards of Education of 19 municipalities in the state of Bahia. SO5

Created in 2011, in partnership with the Ministry of Education (MEC), this is the first initiative established under the *Proinfância* program with a private sector company. With an estimated duration of three years, the initiative, still in its pilot phase, strengthens and expands child education in Brazil. SO5

In 2012, the program served 51 trainers of the Municipal Boards of Education and Health Management Departments, 125 schools, 125 principals, 97 school counselors, 747 teachers, and 1,052 support professionals. In addition, we developed the Tece e Acontece program, in which 140 municipal counselors were trained to act in a more effective manner in child education.

SELF-SERVICE IN THE SEMI-ARID REGION

At Escola Alan Kardec, a school in the municipality of Irará, state of Bahia, students had a new experience in 2012. The school is one of the participants of the Programa de Educação Infantil do Santander (Santander Child Education Program). The challenge was to implement a self-service system in the school's cafeteria that expressed the identity and culture of childhood.

Children can choose what they want to eat and help themselves to the amount of food they want depending on how hungry they are. This new approach brings about indirect benefits for the children, who have the chance to learn more about themselves, take care of themselves, and act with autonomy, which are important elements in child education. Another gain was less waste of food.

"Before that, we saw children as mini-adults who only followed orders. Now we teach children to question things, make their own choices (like the self-service initiative in the cafeteria and choosing their favorite playing corner) so that in the future they can become active citizens," says Regilda Cerqueira dos Santos Batista, a member of the Board of Education of Irajá and a trainer in the Programa de Educação Infantil Santander.

UNIVERSIA

Universia is the most comprehensive Ibero-American network for collaboration among universities. It operates in 23 countries in Latin America and the Iberian peninsula; with 1,242 participating universities worldwide (270 in Brazil alone). Universia was developed to create new opportunities and promote cooperation among universities, and today it represents 15.3 million students and professors.

For ten years, the Portal Universia Brasil (http://www.universia.com.br/) has been dedicated to the dissemination and promotion of relevant content for both professors and students. The actions are divided into four strategic areas for the 2011-2013 period: Employment, Collaboration, Knowledge, and Future.

In 2012, the main milestones in the "Employment" area were the resumption of the Santander intern recruitment and selection process and the Accenture Campus Challenge Program, a simulator that integrated the recruitment and selection process for interns and that contributed to increased employability and professional growth for undergraduate students.

We also highlight the *Feira Virtual Programa de Estágios e Trainees* (the Online Intern/Trainee Opportunity Fair), with more than 9,000 resumes registered, over 47,000 pages visited, and an average of 1,200 single users per day.

Under the "Collaboration" theme, important projects were developed to support the *Concurso Cultural Santander Práticas de Educação para Sustentabilidade* (a contest on sustainability), with the purpose of stimulating, disseminating, and awarding cases that integrate the topic of sustainability into the everyday teaching of common core subjects in both business administration and economics courses. In its first edition, the contest received 257 registrations. Of these, 41 proposals and 32 practical cases are available at the initiative's website (www.santander.com.br/praticasdeeducacao). The authors of the three best projects were awarded a scholarship to attend entrepreneurship courses at Babson College in the USA. The effort also promoted both online and classroom discussions on education and sustainability. The award ceremony was a public event that was broadcast on network TV, featuring the presence of former Minister of the Environment Ms. Marina Silva and the presentations of the six finalists, who shared their experience with the audience.

We also proceeded with the *Fórum Universia pela Inovação*, initiative which, in its second edition, brought together authorities of the academic world, both public and private sector, and governmental agencies. The purpose was to discuss the creation of a permanent forum to expand and include education and research in the innovation processes of these institutions.

In the "Knowledge" area, we consistently advanced in studies for the development of a generic algorithm to be applied in recruitment, selection, and training simulators. Finally, in the "Future" area, we sponsored the FotoUniversia, a photography contest for academia, with 2,158 registrations. The prize is an exchange-student trip to study English in the United States, Canada, or England (read more in the Indicator Sector).

FROM CHILDHOOD TO OLD AGE EC8

The topic of ensuring rights is addressed in the *Programa Amigo de Valor* and in *Concurso Talentos da Maturidade* under the category Programas Exemplares.

For over 10 years, the Amigo de Valor program has contributed to the strengthening of the Child and Youth Rights Council by facilitating contributions of part of the income tax payable by individuals and businesses to the Local Funds for the Rights of Children and Youths and providing special training to representatives of these agencies. The funds contribute to improve the life of children and teens living in the Brazilian municipalities with critical social indicators. Throughout the last 11 years, we raised an amount in excess of R$ 63 million for the benefit of over 40,000 children and teenagers, with the support of 430 social initiatives in 139 municipalities.

In 2012, we had a record number of participating individuals and companies in the volume of resources allocated. We engaged 34,174 employees and interns, a 15% growth YOY, and raised R$ 4.9 million. We also had a 58% increase in the number of participating clients, for a total of 5,637, raising 73% more than in 2011, or approximately R$ 1.7 million.

The companies owned by Grupo Santander channeled a volume of resources 14% higher than in 2011, totaling R$ 4.2 million. In total, R$ 10.8 million was used in initiatives to protect the rights of children and adolescents in 47 municipalities with which we have been working since 2011. The priority among the chosen initiatives is the fight against many types of violence such as abuse, sexual exploitation, alcoholism, and neglect.

The Programas Exemplares category under the *Concurso Talentos da Maturidade* contest, provides support to innovative projects that aim at the implementation, development, and dissemination of policies and programs to promote an active approach to old age as a tool to improve quality of life for the elderly. In 2012, we supported 9 new projects which benefitted more than 7,000 people.

EFFECTIVE ACTION HR6

In Xinguara, state of Pará, child labor is the main violation of rights suffered by children and adolescents. With the support of the Amigo de Valor program, the town launched the Abordagem Social Program, with the aim of eradicating this practice.

In the first year, 140 cases were identified and then monitored by the program. One of the first initiatives was creating awareness among the population on the damage caused by child labor through lectures and brochures.

The results speak for themselves: Almost 100% of the children and teenagers who used to work in the town markets are now cultivating social, educational, and sports activities.

OPPORTUNITIES IN ENTREPRENEURSHIP AND INCOME GENERATION

In a partnership with the Aliança Empreendedora NGO, the Parceiras em Ação program helps strengthen microenterprises owned by women living in low-income areas. In addition to funds, the program provides training to producers to improve their production/management processes and facilitate the development of the participating women and their families. In 2012, we provided support to 13 production groups with 144 direct beneficiaries.

The Santander Universidade Solidária Award, as part of the Santander Universidades awards (more information in the box below), also focuses on the support to entrepreneurship in low-income communities around university campuses. The initiative supports university extension projects that seek the sustainable development of these communities, with emphasis on income generation, and have been developed and implemented by universities with the participation of teachers, students, and the local communities. In 2012, we supported 16 projects, with the participation of 252 students and 73 professors, directly benefitting 2,385 people. EC8

A good example of this is the *Mulheres de Palha* (Straw Women) project, launched by the Ceará State University, with a focus on the social entrepreneurship for carnauba straw artisans, members of the Juazeiro do Norte Artisan Association. Throughout 2012, a number of social entrepreneurship workshops were offered to stimulate a business vision tied to the development of the group and its neighboring communities. One of the first outcomes of the project is a 65% increase in the income of these artisans.

SANTANDER UNIVERSIDADES AWARDS

The Santander Universidades awards were created to stimulate entrepreneurship, scientific research, graduate extension courses, and the search for excellence in universities through the acknowledgment of innovative projects by students, professors, researchers, and schools.

All contestants are invited to attend an online course on entrepreneurship, customized by Babson College in the United States. The initiative comprises four awards: *Prêmio Santander de Empreendedorismo* (Santander Entrepreneurship Award); *Prêmio Santander de Ciência e Inovação* (Santander Science and Innovation Award); *Prêmio Santander Universidade Solidária* (Santander Participative University); and *Prêmio Guia do Estudante – Destaques do Ano* (Student Guide - Highlights of the Year Award).

In 2012, there were 21 projects throughout Brazil awarded for a total of more than R$ 1 million in prizes and scholarships. We had 10,252 contestants in 600 universities in the country, a record growth of 67%.

A PLACE TO CALL HOME

After a unsuccessful attempt to rent a home in which to spend summer in the seaside town of Cabo Frio in 2011, Leonardo Silva da Conceição, 30 years old and living in Rio de Janeiro, had a business idea. He created the LugarPraFicar website to form a host/guest community via a portal for short-term seasonal rentals. "It's a simple idea, really, because people who have available space at home where a guest could stay can register on the website to make additional cash," says Leonardo, a student in Information Technology at PUC-Rio. All registered users, whether guests or hosts, can be evaluated by community members who create a type of ranking for good negotiators.

Created in partnership with his wife, Monique Rodrigues do Espírito Santo, this proposal is intended for those who don't want to be just tourists, but rather temporary inhabitants of the location. The website is scheduled to go live in the second half of this year.

Creating an online reservation system is not new. The difference in this project is the fact that the houses that will welcome the tourists are located in pacified communities in Rio de Janeiro, preferably with easy access and a privileged view.

The project earned Leonardo first place in the *Jovem Empreendedor Comunitário* (Young Community Entrepreneur) category of the Santander Universidades Award. In addition to the R$ 50,000 prize, the student was awarded with a two-week entrepreneurship course at Babson College in the United States and a user's license for the software Smartmoney, a capital management software program for start-ups.

INVESTMENT IN CULTURE

In 2012, we expanded the initiatives focused on low-income communities and matched investments that value the Brazilian culture.

Using visual arts and music, we proceeded with the program supporting contemporary art and promoted actions in our *Santander Cultural* units in the cities of Porto Alegre and Recife. Among them, we highlight visual art exhibitions Miguel do Rio Branco, Zona Tórrida, and Rio São Francisco Navegado, by Ronaldo Fraga. We also maintained the traditional music programming, such as the Programa Ouvindo e Fazendo Música, and also our film programming. The Contemporâneo project, aimed at creating visibility for new contemporary artists, was implemented in the states of Rio Grande do Sul and Pernambuco.

The interactive exhibition held to commemorate the 100th birthday of writer Jorge Amado was one of the highlights in 2012 and included manuscripts, photos, and objects belonging to Jorge Amado, and other elements that help depict his image. A guide in the likeness of the writer led the audience throughout corridors and rooms in places such as the Museum of the Portuguese Language in São Paulo, and the Museum of Modern Art in Salvador, in the state of Bahia. Visitors also interacted with sounds and images, many of them through touch, representing aspects of the writer's work.

In 2012, we also formed a partnership with the *Fundação Orquestra Sinfônica Brasileira* (FOSB) for two actions: to sponsor the Aquarius Project, jointly with the *O Globo* Newspaper, and to support the action by the *Centro de Educação Musical Brasileiro*, the FOSB education arm, at the Pacifying Police Units in the city of Rio de Janeiro. The first initiative included a performance by the Brazilian Symphony Orchestra, in a partnership with the *AfroReggae* (AfroLata) group, at the Morro do Alemão shantytown community for an audience of approximately 5,000 people. The second initiative included continued education courses in music for teachers of the municipal public schools and further studies in instrument techniques. These projects aim at improving music education in the classrooms through teachers and instructors in social and educational projects.

Photo: Cícero Rodrigues

The Brazilian Symphonic Orchestra performing at the Complexo do Alemão shantytown (Project Aquarius)

This project gained importance upon the inclusion of music in the elementary school curriculum, as provided for in Law 11,769 of August 2008. The deadline for schools to adapt to the new standards was in 2012.

As part of the *Acervo Cultural* (Cultural Collection), we published the book *Convivendo com Arte* – Coleção Santander Brazil (Living with Art - Santander Brazil's Collection), featuring our collection and highlighting the unique aspects of the program *Convivendo com Arte*, developed in 2009. The initiative integrates the works of art in the bank's collection into the daily routine of Santander employees and associates, while providing a motivating, inviting work environment. In addition, the program sponsors exhibitions that bring the latest in Brazilian art to the bank's corporate facilities, thus promoting the development of the creative sector and promoting the talents of today and tomorrow.

Two more initiatives have received our support since their creation: The Pelé Museum and the Congonhas Memorial. The Museum, in the city of Santos, state of São Paulo, will include over 1,500 items including personal objects, photos, films, and trophies awarded to soccer champion Pelé. The Memorial, in Congonhas, state of Minas Gerais, will be an area intended for the appreciation, understanding, and preservation of baroque art (through a reference exhibition and a center for studies and research) and the conservation of monuments made of stone (further details in the Indicator section).

CREATIVE ECONOMY

We believe in the value and power of an idea. Thus, we chose to provide support to actions that enhance Creative Economy based on knowledge, ideas, and creativity combined with sustainable development. As we see it, Creative Economy can be defined as processes involving the creation, production, and distribution of products and services using knowledge, creativity and intellectual capital as the main production resources, providing a new value proposal for products and services in different segments.

We also support the *Projeto Criaticidades*, with the mission of investigating how Creative Economy can contribute to the social and economic development of Brazilian cities. The initiative is initially composed of five TV programs and a website presenting the history and the concept of Creative Economy, based on cases and interviews with Brazilian and foreign experts.

These materials present practical and successful examples of municipalities that have attained good results in their search for new alternatives for economic development, such as Paulinia, in the state of São Paulo, with its film industry park, and Paraty, in the state of Rio de Janeiro, with its literary tourism.

ENVIRONMENTAL MANAGEMENT

WE ADOPTED A MODEL THAT HAS FIVE DIMENSIONS: CARBON INVENTORY, REDUCTION, OFFSETTING, CREDITS, AND COMMUNICATION AND TRANSPARENCY.

In a scenario of global warming and climate change, one of the main challenges faced by large corporations is to develop adequate environmental management for their activities, thereby contributing with the promotion of the low-carbon economy.

At Santander Brazil, this challenge is approached in two ways. In addition to internal management, the bank seeks to induce its clients, the market, and society at large to adopt best environmental practices. This is done mainly through sustainable businesses that allow for advances in areas such as energy efficiency, the use of water, and waste management.

Our climate governance has five dimensions: carbon inventory, reduction, offsetting, carbon credits, and communication and transparency .This ensures comprehensive management of our activities in terms of the environment. EC2

MANAGEMENT OF EMISSIONS

In order to more efficiently assess and manage our performance, we have (since 2008) been preparing a comprehensive inventory of our emissions via the Greenhouse Gas Protocol Brazil (GHG Protocol Brasil), for which we received certification from Fundação Getúlio Vargas (FGV). FGV is in charge of assessing the inventories of large-sized companies and auditing and performing the external inspection of processes, information, and emissions reported.

The inventory is key to mapping the things we do right, pinpointing any opportunities for improvement, guiding our planning, and identifying whether we attained our goals. Therefore, this instrument has been very important in pursuing our goals, in tandem with the public commitment taken on by Grupo Santander in 2011, i.e., to lower our total emissions of Greenhouse Gases by 7.5% by 2013.

Having a deep understanding of the profile of our emissions allows us to manage our carbon offsetting efforts more precisely. We have been doing that since 2009, via the Floresta Santander program, a reforestation project in degraded areas. In the last four years, we have offset approximately 68,950 tons of CO2 and restored 216 hectares of degraded areas. EN18 EN26

In 2013, the bank will implement two new efforts in carbon offsetting. One of them is using the purchase of carbon credits. Under the guidance of expert consultants, we will identify projects with good social and environmental performance from which we can purchase these assets.

On another front, we will introduce a system that will motivate employees to offset their emissions—not as employees, but in their private lives. We will provide a platform on which everyone can calculate and offset their environmental impact via the purchase of carbon credits.

WATER, WASTE, AND ENERGY EN26

At Santander, we also rely on a number of tools to monitor and perfect our performance in connection with efficiency in the use of natural resources such as water, energy, and waste management.

As an example, we can cite our branch network where this management takes place under the Operational Quality Assessment (AQO) system, which monitors 74 indicators, including water and energy consumption. For administrative buildings, we use the Environmental Management System certificate ISO14001, which monitors and influences reduction plans. Among the certified units are Santander Tower and CASA 1, both in São Paulo; Savassi, in Belo Horizonte; and Rio Branco n° 70, in Rio de Janeiro.

In addition to monitoring these indicators, we adopted a number of eco-efficiency practices that help improve our performance. For example, we developed a sustainable construction manual to guide all of our remodeling and construction projects. This publication indicates the use of environmentally adequate products and recommends solutions to reduce consumption of water and energy and includes engineering and architecture techniques that prioritize the use of natural light. Among the solutions we adopted are the use of rain water, roofs with thermal insulation, and automatic air conditioning control.

Last year we expanded these criteria and practices to other bank units. However, branch indicators were impacted by the growth in the number of branches and the construction of the Santander Data Processing Center. Consumption of water totaled 1,173,175 m³, a growth of 9.8%, and we consumed 255,318,692 KW/h in energy, a 13% increase compared with 2011. EN4 EN8

In the administrative buildings, the highlight was the implementation of a composting process at Santander Tower. This technology reduced the disposal of organic waste from cafeterias by 77% (from 62 tons to 14 tons). EN22

Control Room at Torre Santander monitoring eco-efficiency indicators at the bank's head offices.

A PARTNERSHIP TO STIMULATE THE CARBON MARKET

Santander Brazil and BM&FBovespa entered into an agreement in 2012 to achieve an important mission: to stimulate the development of a carbon credit market. To that effect, the parties will jointly consider the creation of new products tied to carbon credits to be traded on the Stock Exchange, such as derivative agreements and spot products. In addition, the parties will evaluate the development of products both for the Brazilian and the international market, developing joint studies to assess the economic feasibility and suggest the regulatory framework to launch such products.

The carbon credit market appeared globally in the 1990s as a mechanism to both manage and reduce greenhouse gas emissions. The development of this business actually started in 1997, when a number of countries signed the Kyoto Protocol which provided that in the 2008- 2012 period, developed countries should reduce their greenhouse gas emissions by 5.2% considering the 1990 levels as a baseline.

In this context, the companies that generated emissions below their goals would have the chance to sell this difference (i.e., carbon credits) to other participants that exceeded their own targets. It was agreed that one ton of carbon dioxide (CO2) is equivalent to one carbon credit.

The carbon market has evolved over the past 15 years, especially in Europe. Brazil actively participates in this market through clean technology ventures. In a scenario of advances in Brazilian environmental laws, new opportunities begin to arise in connection with carbon credits and also for other environmental assets, whose development has been closely monitored by Santander.

OUR COMMITMENT TO SUSTAINABILITY 1.2

GOALS AND COMMITMENTS

During the Rio+20 meeting in 2012, Santander took on commitments in connection with the UN Global Compact. The commitments are broken down by areas such as education, engagement, social inclusion, and social and environmental businesses. On the side is a table with the actions implemented in 2012 and the new commitments taken on for 2013.

TOPIC/AREA	2012 GOAL	*STATUS*
Social and Financial Inclusion	Increasing the number of employees by 10% and the number of clients by 30% who participate in the Amigo de Valor program.	●
	Microcredit	No goal was set for 2012
Education	1.65 million views of the online content on sustainability.	●
	Increase by 15% the number of volunteer groups acting in the Projeto Escola Brasil (PEB).	●
	Grant 878 scholarships abroad for Brazilian university students.	○
	Grant 109 scholarships abroad for masters, doctorate, and post-doctorate students.	○
	Grant 100 scholarships in China for Brazilian students and teachers.	●
Social and Environmental Businesses	Increase by 50% the number of participants in the Programa Construção Sustentável.	○
	Reduce greenhouse gas emissions and energy consumption by 7.5% by 2013 – baseline 2010, emission of 102,268.55 t.	◒
	Reduce energy consumption by 7.5% by 2013 – baseline 2010, consumption of 281,262,605 kWh.	◒
	Increase purchases of renewable energy from 2.45 million kWh to 3.86 million kWh; transition 2 buildings and 24 branches to this model by the end of 2014.	◒

● **GOAL ATTAINED**

◒ **GOAL UNDER DEVELOPMENT**

○ **GOAL NOT ATTAINED**

OUTCOME	2013 GOAL
The Amigo de Valor Program reached a 15% increase in employee participation (34,174 people) and a 10% growth in funds raised (R$ 4.9 million) compared with 2011. The adherence of clients also had significant growth (58%) totaling 5,637 participants, with total funds raised of R$ 1.7 million, a 73% increase compared with 2011.	Select 50 new Brazilian municipalities through the local Child and Youth Rights Councils that are willing to perform a diagnostic of the situation of local children and adolescents. These municipalities will receive funds and special training on the Child and Youth Protection Act to both qualify and strengthen the Councils, thereby ensuring advocacy for the rights of children and adolescents.
No goal was set for 2012.	Disburse R$490 million and attain 120,000 active clients in microcredit operations.
1,673 million views of the online content on sustainability.	Attain a 20% participation rate among employees and interns in the Sustentabilidade pra Todo Lado program (baseline HR September 2012).
The number of volunteer groups in PEB increased by 37%, totaling 313 groups.	ncrease by 40% the number of volunteer groups acting in the Projeto Escola Brasil (PEB).
816 scholarships granted abroad for Brazilian students through the programs Ibero Graduação (460), Bolsas Luso (159), Top UK (33), Top Babson (10), Fórmula Santander (64), and Top Espanha (90).	Grant 1,135 scholarships in foreign countries to professors and graduate students through the Programas Top Espanha (180), Top China (100), Top UK (20), Top Luso (160), Top Babson (15), Fórmula Santander (90), Ibero Graduação (500), and Ibero Americana Jovem Pesquisa (70).
73 scholarships granted to masters, doctorate, and post-doctorate students through the Programa de Bolsas Ibero-Americano.	
101 scholarships granted.	
10 new construction works registered in the program in 2012. The goal of the Programa Construção Sustentável for sustainable construction practices is to promote the best practices in the sector. In 2012, we focused on companies with sustainability practices seeking to improve the promotion of our products. The best score within the Programa Obra Sustentável was granted to builders CRV Carvalho, based in the city of Goiânia, which generated positive publicity both for the program and for the client. In addition, we provided awards to four construction sites, and three developers were granted a score in excess of 70% and received an acknowledgment plaque from the Programa Obra Sustentavel.	In 2013, we will proceed with our strategy of acknowledging best practices in the various corporate segments in real estate financing within the Programa de Construção Sustentável.
The goals associated with emissions, energy consumption, and the purchase of renewable energy are currently under review.	Process to review and redefine goals.

HOW THIS REPORT WAS PREPARED 3.1 3.3 3.4 3.5 3.6 3.7 3.8 3.10 3.13 4.13 4.14 4.15 4.16 4.17

The Santander Annual Report presents the bank's performance in the economic, social, and environmental aspects in 2012. The Report is in compliance with the guidelines of the *Associação Brasileira das Companhias Abertas* (ABRASCA) for publicly-owned companies and the Global Reporting Initiative (GRI).

In order to gather the information for this publication, we interviewed the bank's key officers. We followed the materiality matrix defined in 2011 through panels conducted with our stakeholders, both internal and external, including individual and corporate clients, suppliers, shareholders, investors, employees, specialists in sustainability and NGO representatives, and other non-governmental entities.

The materiality process gave us a matrix representing the most relevant topics for the bank, in the opinion of the various audiences consulted, and which should be addressed in order to improve management. The key topics are: Client (satisfaction and financial guidance); Social and Environmental Risk (joint responsibility in granting loans); Society (education); Internal Audience (diversity); Social and Environmental Services and Products (sustainable businesses). Indicators were assigned to each of these topics.

This activity involved crossing-referencing information from the following protocols: GRI, *Índice de Sustentabilidade Empresarial* (ISE/BM&FBovespa), *Protocolo Verde* (FEBRABAN), and the Carbon Disclosure Project (CDP), of which the bank is a member. The crossing-referencing of this information involved mapping more than 700 pieces of information, broken down into four areas: Business, Governance, Stakeholders, and Environmental Management.

In 2012, we held meetings with the various areas to identify progress on the indicators and benchmark analysis. This effort led us to define the sustainability indicators that are available in the Sustainability Indicator Section of this report (www.santander.com.br/ri), thereby providing comparable information to show progress over time.

In addition to the topics indicated in the materiality process, this section includes indicators on suppliers, since we understand the importance of managing our supply chain considering social, environmental, and ethical issues.

The Finance area gathers information through a special tool for reporting purposes, in which the data and evidence are provided, subject to verification by auditors. We also use corporate information systems to verify information.

To further the stakeholder engagement process, we created the "*Fórum Estratégico de Sustentabilidade*" (Strategic Forum on Sustainability) as one of the structures in our Governance model. The evaluations carried out in this forum are considered at the various governance levels. The Forum is made up of external specialists and aims to discuss and evaluate how the sustainability issues of the bank and of the country are being addressed by Santander, and what advances should be promoted. We held the first meeting in 2012, and the 2013 agenda has two scheduled meetings (learn about how the Forum is formed on page 23).

We used the GRI G3.1 guidelines and the GRI sector supplement for the finance sector, and we consider that the publication meets the requirements of GRI's A+ application level. We also present herein the initiatives associated with the

principles of the Global Compact, of which the bank has been signatory since 2007. Thus we reaffirm our commitment to support and disseminate the principles of the Compact.

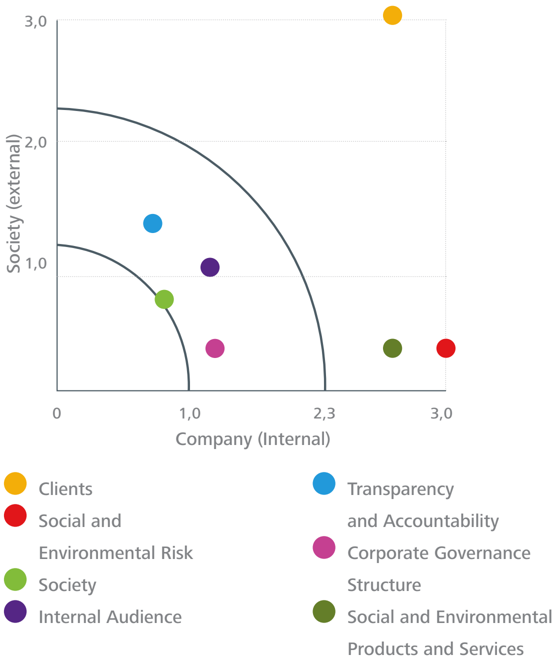
The information and results disclosed in this publication include the businesses owned by Grupo Santander Brazil on December 31, 2012. The quantitative data refer to the period between January 1 and December 31, but material information subsequent to this period was also covered.

Deloitte Touche Tohmatsu Auditores Independentes reviewed the procedures used by Santander Management to gather and compile the information and prepare the GRI indicators in its G3.1 version, and the report on the limited assurance by the independent auditors can be found on page 106.

It is important to note that the indicators that are outside the scope of this report are also being monitored and can be found on www.santander.com.br/sustentabilidade.

For any additional questions or suggestions, please contact relacoes.institucionais@santander.com.br.

CONVERGENCE OF TOPICS



GRI APPLICATION LEVEL CHECK

Global Reporting Initiative™

Statement

GRI Application Level Check

GRI hereby states that **Banco Santander (Brasil) S.A.** has presented its report "2012 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 G3.1 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 G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 10 April 2013

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

A+
GRI REPORT
GRI CHECKED

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. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 29 March 2013. GRI explicitly excludes the statement being applied to any later changes to such material.*

GRI TABLE OF CONTENTS

THE SANTANDER ANNUAL REPORT MEETS THE REQUIREMENT FOR THE GRI A+ APPLICATION LEVEL. 3.12

*Annual Report/Sustainability Indicators
ISE = Corporate Sustainability Index
CDP = Carbon Disclosure Project

GRI	Indicator	Reported	Reason for Omission	Page Annual Report/ Indicators*
PROFILE				
1. Strategy and Analysis				
1.1	Message from the CEO	Complete		6, 7, 8, 9, 12, 13 / -
1.2	Description, key impacts, risks, and opportunities	Complete		18, 19, 104, 105 / -
2. Organizational Profile				
2.1	Name of the organization	Complete		10 / -
2.2	Primary brands, products, and/or services	Complete		10, 68 / -
2.3	Operational structure of the organization	Complete		29
2.4	Location of organization's headquarters	Complete		São Paulo, SP
2.5	Countries where the organization operates and in which its key operations take place	Complete		14, 15 / -
2.6	Nature of ownership and legal form	Complete		29 / -
2.7	Markets served	Complete		10, 37 / -
2.8	Scale of the organization	Complete		3, 5, 10, 14 / -
2.9	Significant changes during the reporting period	Complete		No significant changes
2.10	Awards received in the reporting period	Complete		54 / 65
3. Report Parameters				
3.1	Reporting period for information provided	Complete		106, 107 / 2, 3
3.2	Date of most recent previous report	Complete		2012
3.3	Report cycle	Complete		106, 107 / 2, 3
3.4	Contact point for questions regarding the report or its contents	Complete		106, 107 / 2, 3
3.5	Process to define report content	Complete		106, 107 / 2, 3
3.6	Boundary of the report	Complete		106, 107 / 2, 3
3.7	Statement of any specific limitations on the scope or boundary of the report	Complete		106, 107 / 2, 3
3.8	Basis to prepare the report	Complete		106, 107 / 2, 3
3.9	Data measurement techniques and bases for calculation	Complete		Described on the indicator, if necessary
3.10	Reformulations of any information provided in earlier reports	Complete		106, 107 / 2, 3

GRI	Indicator	Reported	Reason for Omission	Page Annual Report/ Indicators*
3.11	Significant changes of scope, boundary, or measurement methods applied in the report	Complete		Described on the indicator, if necessary
3.12	Table identifying the location of the information in the report	Complete		111 / 74
3.13	Policy and current practice with regard to seeking external assurance for the report	Complete		106, 107 / 2, 3
4. Governance, Commitments, and Engagement				
4.1	Governance structure of the organization, including committees under the highest governance body	Complete		22, 23, 25 / -
4.2	Chair of the highest governance body	Complete		25 / -
4.3	Independent, non-executive members of the highest governance body	Complete		25 / -
4.4	Mechanisms for shareholders and employees to provide recommendations	Complete		29 / -
4.5	Relationship between compensation and performance of the organization (including social and environmental)	Complete		- / 64
4.6	Processes in place to ensure conflicts of interest are avoided	Complete		25, 33 / 62, 64
4.7	Qualifications of the members of the highest governance body	Complete		22 / -
4.8	Statements of mission and values, codes of conduct, and relevant internal principles	Complete		18 / -
4.9	Responsibility for the implementation of economic, environmental, and social policies	Complete		22, 25 / -
4.10	Processes in place for self-assessment of the performance of the highest governance body	Complete		25 / -
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Complete		- / 50
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives	Complete		21, 106 / 4, 47, 65

*Annual Report/Sustainability Indicators
ISE = Corporate Sustainability Index
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GRI	Indicator	Reported	Reason for Omission	Page Annual Report/ Indicators*
4.13	Membership in associations and/or national/international bodies	Complete		21, 106 / 4, 47, 65
4.14	List of stakeholder groups engaged by the organization	Complete		106, 107 / 2, 3
4.15	Basis to identify and select stakeholder with whom to engage	Complete		Stakeholders considered in the engagement were identified and defined by the Santander team based on the relationship, closeness, and likelihood of being affected by the bank's operations. Upon the identification process, all of these audiences were invited to participate in the materiality process. The materiality process appears on pages 108, 109 / 2, 3
4.16	Approach used for the engagement of stakeholders	Complete		106, 107 / 2, 3
4.17	Key topics and concerns that have been raised through stakeholder engagement	Complete		106, 107 / 2, 3 Below are the key topics that were raised: clients; social and environmental risk; society; internal audience; transparency and accountability; corporate governance structure; and social/ environmental products and services. The response to these topics are part of the annual report, indicator section and on the bank's website.

MANAGEMENT APPROACH

GRI / Indicator	Reported	Reason for Omission	Page Annual Report/ Indicators*
EC			
Economic performance	Complete		54, 55 / -
Market share	Complete		- / 44, 45
Indirect economic impact	Complete		93, 98 / 25, 31
EN			
Materials	Complete		*Site***
Energy	Complete		102 / 69 *Site***
Water	Complete		102 / *Site***
Biodiversity	No	Immaterial	
Emission, effluents, and waste	Complete		102 / 72
Products & Services	No	Immaterial	
Compliance	No	Immaterial	
Transport	Complete		102 / 72
General	No	Immaterial	
LA			
Employment	Complete		87 / 13, 14
Labor/Management Relations	No	Immaterial	
Occupational health and safety	Complete		- / 23
Training and education	Complete		87 / 19
Diversity and equal opportunities	Complete		87 / 15, 16 , 17
HR			
Procurement processes	Complete		91 / 44
Non-discrimination	Complete		- / 17
Freedom of association	No	Immaterial	
Child labor	Complete		91 / 46
Prevention of forced and compulsory labor	Complete		91 / 46
Safety practices	Complete		- / 46
Indigenous rights	No	Immaterial	
SO			
Community	Complete		93 / 25
Corruption	Complete		- / 70
Public policies	Complete		94 / 47
Unfair competition	No	Immaterial	
Compliance	No	Immaterial	
PR			
Client health and safety	Complete		86 / 9
Product and service labeling	Complete		- / 9
Communications and marketing	Complete		88 / 6
Client privacy	Complete		86 / 9
Compliance	Complete		33 / 71
FS			
Product portfolio	Complete		68 / 55
Auditing	Complete		- / 54
Policies for the good development and sale of financial products and services	Complete		- / 55
Active participation	Complete		81 / 58

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*Annual Report/Sustainability Indicators
ISE = Corporate Sustainability Index
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Topic	GRI	Indicator	Reported	Reason for Omission	Green Protocol	ISE	CDP	The Global Compact	Page Annual Report/ Indicators*
ASPECT: ECONOMIC PERFORMANCE									
Society	EC1	Direct economic value, generated and distributed	Complete		-	-	-	-	- / 31, 32 and Page 21 of Final Statements. Retained economic value R$5,327,519,000.
Risk management and corporate opportunities	EC2	Financial implications and other risks and opportunities in connection with climate change	Complete		-	ECO 7.	2.1; 5.1; 6.1	7	The indicator is considered immaterial; however, the bank chose to continue reporting it on pages 100 / 61, 68, 69
Internal audience	EC3	Coverage of the obligations in the pension fund	No	Immaterial	-	-	-	-	
Society	EC4	Significant financial support received from government	Complete		-	-	-	-	- / 31
ASPECT: MARKET SHARE									
Internal audience	EC5	Range of ratios of standard entry-level wage compared to local minimum wage	No	Immaterial	-	-	-	-	
Suppliers	EC6	Policy, practices, and proportion of spending on locally-based suppliers	Complete		PII - 4.; PII - 4.1	SOC 42.	-	-	The indicator is considered immaterial; however, the bank chose to continue reporting it on pages - / 44, 45
Internal audience	EC7	Hiring of local employees	No	Immaterial	-	-	-	-	
ASPECT: INDIRECT ECONOMIC IMPACT									
Society	EC8	Impact of investments in infrastructure for the benefit of society	Complete		-	-	-	-	95, 96 / 25, 31, 36. No impact studies have been performed
Society	EC9	Description of material indirect economic impacts	No	Immaterial	-	-	-	-	
ASPECT: MATERIALS									
Consumption of inputs for operations	EN1	Materials used, by weight or volume	Complete		PIII - 6.	AMB-IF 15.1	-	8	This indicator is considered immaterial but the bank chose to continue reporting it on the website**
Consumption of inputs for operations	EN2	Percentage of materials used from recycling	No	Immaterial	-	-	-	-	
ASPECT: ENERGY									
Consumption of inputs for operations	EN3	Direct energy consumption by primary energy source	Complete		PIII - 6.	AMB-IF 15.1	12.2	8	This indicator is considered immaterial but the bank chose to continue reporting it on the website
Consumption of inputs for operations	EN4	Indirect energy consumption by primary source	Complete		PIII - 6.	AMB-IF 15.1	12.2	8 e 9	This indicator is considered immaterial but the bank chose to continue reporting it on page 102 / and on the website**
Consumption of inputs for operations	EN5	Energy saved due to conservation and efficiency improvements	Partial	Immaterial	PIII - 6.	AMB-IF 15.; AMB-IF 15.1	-	8	This indicator is considered immaterial but the bank chose to continue reporting it on the website
Consumption of inputs for operations	EN6	nitiatives to provide products and services with low-energy consumption	No	Immaterial	PIII - 6.; PIII - 9.	AMB-IF 15.; AMB-IF 15.1	-	-	
Consumption of inputs for operations	EN7	Initiatives to provide products and services with low-energy consumption	Partial	Immaterial	PIII - 6.; PIII - 9.	AMB-IF 15.; AMB-IF 15.1	-	-	This indicator is considered immaterial but the bank chose to continue reporting it on the website

**www.santander.com.br/sustentabilidade

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Topic	GRI	Indicator	Reported	Reason for Omission	Green Protocol	ISE	CDP	The Global Compact	Page Annual Report/ Indicators*
ASPECT: WATER									
Consumption of inputs for operations	EN8	Total water withdrawal by source	Completo		PIII - 6.	AMB-IF 15.1	-	8 e 9	This indicator is considered immaterial but the bank chose to continue reporting it on page 102 and the website.** All water consumed by the bank comes from the public utility company.
Impact of other bank operations on the environment	EN9	Water sources significantly affected by withdrawal of water	No	Immaterial	-	-	-	-	
Consumption of inputs for operations	EN10	Percentage and total volume of water recycled and reused	No	Immaterial	-	-	-	8	
ASPECT: BIODIVERSITY									
Impact of other bank operations on the environment	EN11	Location and size of land owned	No	Immaterial	-	-	-	-	
Impact of other bank operations on the environment	EN12	Significant impacts of activities, products, and services on biodiversity	No	Immaterial	-	-	-	-	
Impact of other bank operations on the environment	EN13	Habitats protected or restored	No	Immaterial	-	-	-	-	
Impact of other bank operations on the environment	EN14	Strategies to manage impacts on biodiversity	No	Immaterial	-	-	-	-	
Impact of other bank operations on the environment	EN15	Number of species on the IUCN red list and other conservation lists	No	Immaterial	-	-	-	-	
ASPECT: EMISSION, EFFLUENTS, AND WASTE									
Climate change	EN16	Total direct and indirect emissions of greenhouse gases	Complete		-	CLI 9.	7.1; 8.2; 8.8a	8	This indicator is considered immaterial but the bank chose to continue reporting it pages 4, 5 / 73
Climate change	EN17	Other relevant indirect emissions of greenhouse gases	Complete		-	CLI 9.	8.8a; 15.1; 15.3	8	This indicator is considered immaterial but the bank chose to continue reporting it on pages 4, 5 / 73
Climate change	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Complete		PIII - 8.	CLI 11.	3.1	7, 8 and 9	This indicator is considered immaterial but the bank chose to continue reporting it on pages 101 / 73
Climate change	EN19	Emissions of ozone-depleting substances	Complete		-	-	7.3	8	O indicador é considerado não material, porém o banco preferiu continuar prestando contas na página - / 73
Mudanças Climáticas	EN20	NOx, SOx and other significant air emissions	No	Immaterial	-	-	-	-	
Waste	EN21	Total water discharge by quality and destination	No	Immaterial	-	-	-	-	
Waste	EN22	Total waste, by type and disposal methods	Complete		PIII - 7.	AMB-IF 15.; AMB-IF 15.1	-	8	This indicator is considered immaterial but the bank chose to continue reporting it on the website**
Waste	EN23	Total number and volume of significant spills	No	Immaterial	-	-	-	-	
Waste	EN24	Weight of hazardous weight transported	Complete		-	-	-	-	This indicator is considered immaterial but the bank chose to continue reporting it on the website**
Waste	EN25	Description of protection and biodiversity index of bodies of water and habitats	No	Immaterial	-	-	-	-	

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Topic	GRI	Indicator	Reported	Reason for Omission	Green Protocol	ISE	CDP	The Global Compact	Page Annual Report/ Indicators*
ASPECT: PRODUCTS & SERVICES									
Impact of other bank operations on the environment	EN26	Initiatives to minimize the environmental impacts of products and services	Partial	Immaterial	-	-	-	-	This indicator is considered immaterial but the bank chose to continue reporting it on pages 4, 5 / 73, 101, 102 / -
Consumption of inputs for operations	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	No	Immaterial	-	-	-	-	
ASPECT: COMPLIANCE									
Compliance with laws	EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	No	Immaterial					
ASPECT: TRANSPORT									
Impact of other bank operations on the environment	EN29	Environmental impacts in connection with the transport of products and workers	Complete		-	-	-	8	This indicator is considered immaterial but the bank chose to continue reporting it on the website**
ASPECT: GENERAL									
Climate change, waste	EN30	Total investments and expenditures in environmental protection	No	Immaterial	-	-	-	-	
ASPECT: EMPLOYMENT									
Internal audience	LA1	otal workforce by employment type, employment contract, and region by gender	Partial	Immaterial	-	-	-	-	This indicator is considered immaterial but the bank chose to continue reporting it on pages 13, 14, 15, 16
Internal audience	LA2	Total number and rate of employee turnover by age group, gender, and region	Complete		-	-	-	6	- / 19
Internal audience	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees	No	Immaterial	-	-	-	-	
Internal audience	LA15	Return to work and retention rates after maternity/ paternity leave, by gender	Partial	Retention rate: Not monitored	-	-	-	-	- / 24
ASPECT: LABOR/MANAGEMENT RELATIONS									
Internal audience	LA4	Percentage of employees covered by collective bargaining agreements	No	Immaterial	-	-	-	-	
Internal audience	LA5	Description of notices (terms and procedures)	No	Immaterial	-	-	-	-	
ASPECT: HEALTH AND SAFETY									
Internal audience	LA6	Percentage of employees represented in formal occupational health and safety committees	Complete		-	-	-	-	- / 24
Internal audience	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and gender	Partial	Not monitored by region	-	-	-	1	- / 23
Internal audience	LA8	Education, prevention, and risk control programs	Complete		-	-	-	1	- / 22, 23, 24
Internal audience	LA9	Topics in connection with safety and health, covered by formal agreements with unions	Complete		-	-	-	-	- / 24
ASPECT: TRAINING AND EDUCATION									
Internal audience	LA10	Average hours of training per year, by employee by gender, and by hierarchical level	Complete		PIV - 6.	-	-	6	- / 19, 20, 21, 22
Internal audience	LA11	Competency management, continued learning and retirement planning programs	Complete		-	SOC 6.	-	-	- / 19, 20, 21, 22 The bank does not have programs focusing on retirement.
Internal audience	LA12	Percentage of employees receiving regular performance and career development reviews, by gender	Partial		-	-	-	-	- / 22

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Topic	GRI	Indicator	Reported	Reason for Omission	Green Protocol	ISE	CDP	The Global Compact	Page Annual Report/ Indicators*
ASPECT: DIVERSITY AND EQUAL OPPORTUNITIES									
Internal audience	LA13	Breakdown of top management/board members, by group and gender	Partial	Not monitored by age group	-	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 and 3	- / 13, 14, 15, 16
Internal audience	LA14	Ratio of basic salary of men to women by location and employee category	Partial	Not monitored by age group	-	-	-	1, 2 and 3	102 / 22
ASPECT: PROCUREMENT PROCESS									
Suppliers	HR1	Percentage and total number of significant investments and agreements including clauses related to human rights or that were submitted for evaluations in connection thereto	Complete		-	-	-	-	- / 52
Suppliers	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights	Complete		PIII - 4.; PIII - 4.1; PIII - 4.2	SOC 16.; SOC 16.1; SOC 41.; SOC 42.	-	1, 2, 3 and 4	This indicator is considered immaterial but the bank chose to continue reporting it on pages 91 /46
Público Interno	HR3	Evaluation and treatment of human rights performance policies	Complete		PIV - 6.	-	-	-	- / 21
ASPECT: NON-DISCRIMINATION									
Clients, Suppliers, Internal Audiences	HR4	Total number of incidents of discrimination and actions taken	Complete		-	SOC 9.; SOC 16.1	-	1, 2 and 3	- / 17, 44
ASPECT: FREEDOM OF ASSOCIATION									
Internal audience	HR5	Policy on freedom of association and degree of application	No	Immaterial	-	-	-	-	
ASPECT: CHILD LABOR									
Suppliers	HR6	Action taken to contribute to the eradication of child labor	Complete		-	SOC 16.1; SOC 42.	-	1, 2 and 3	This indicator is considered immaterial but the bank chose to continue reporting it on pages 91, 96 / 46
ASPECT: FORCED AND COMPULSORY LABOR									
Suppliers	HR7	Action taken to contribute to the eradication of bonded labor	Complete		-	SOC 16.1; SOC 42.	-	1, 2 and 3	This indicator is considered immaterial but the bank chose to continue reporting it on pages 91 / 46
ASPECT: SAFETY PRACTICES									
Suppliers, Internal Audiences	HR8	Training policy concerning human rights aspects for security personnel	Complete		-	-	-	-	- / 46
ASPECT: INDIGENOUS RIGHTS									
Society	HR9	Total number of incidents of violations involving rights of Indigenous people and actions taken	No	Immaterial	-	-	-	-	
ASPECT: ASSESSMENT									
Suppliers	HR10	Percentage and total number of operations that have been assessed in the light of risks related to human rights and/ or any impacts thereof	Partial	Not monitored	-	-	-	-	This indicator is considered immaterial but the bank chose to continue reporting it on page - / 46
ASPECT: REMEDIATION									
Suppliers	HR11	Number of complaints filed related to human rights, broken down by formal complaint mechanisms	Partial	Not monitored	-	-	-	-	This indicator is considered immaterial but the bank chose to continue reporting it on pages - / 17, 46
ASPECT: LOCAL COMMUNITIES									
Society	SO1	Percentage of operations with programs implemented in local communities, to evaluate impact, development, and engagement	Immaterial		-	SOC 14.; SOC 14.1		10	93 / 27, 29, 30, 31
Society	SO1	Programs and practices to evaluate and manage the impact of operations on the communities	Immaterial		-	SOC 14.; SOC 14.1		10	93 / 27, 28, 29, 30, 31
Society	SO9	Operations with potential or actual negative impacts on local communities	No	Immaterial	-	SOC 14.; SOC 14.1		10	

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Topic	GRI	Indicator	Reported	Reason for Omission	Green Protocol	ISE	CDP	The Global Compact	Page Annual Report/ Indicators*
Society	SO10	Preventive and mitigating measures implemented in operations with significant potential or actual negative impacts on local communities	No	Immaterial	-	SOC 14.; SOC 14.1		10	
ASPECT: CORRUPTION									
Fight against bribing and corruption	SO2	Units submitted to risk assessment in connection with corruption	Partial	Immaterial	-	-	-	-	This indicator is considered immaterial but the bank chose to continue reporting it on page - / 70
Fighting against bribing and corruption	SO3	Rate of employees trained in anti-corruption policies and procedures	Complete		-	-	-	10	- / 21
Fighting against bribing and corruption	SO4	Actions taken in response to corruption episodes	Partial	Immaterial	-	-	-	10	This indicator is considered immaterial but the bank chose to continue reporting it on page 70
ASPECT: PUBLIC POLICIES									
Government	SO5	Position as to governmental policies and role in the governmental formulation of policies and lobbying	Complete	-	-	2.3	10		94 / 47
Government	SO6	Policy to contribute with funds to political parties or institutions	Complete	-	SOC 3.	-	-		- / 47
Legal compliance	SO7	Total number of legal actions for anti-competitive behavior	No	Immaterial					
ASPECT: COMPLIANCE									
Legal compliance	SO8	Description of any significant penalties and total number of non-monetary sanctions	No	Immaterial					
ASPECT: CLIENT HEALTH AND SAFETY									
Clients	PR1	Policy to preserve consumer's health when handling or using the product	Partial	Any items not reported are considered immaterial	-	-	-	-	- / 9, 10
Commitments and awards related to sustainability; legal compliance	PR2	Non-compliance in connection with any impacts caused by products or services	No	Immaterial	-	-	-	-	
ASPECT: PRODUCT AND SERVICE LABELING									
Clients	PR3	Type of information on products and services required by labeling procedures	Partial	Any items not reported are considered immaterial	PI - 8.; PIV - 15.	-	-	-	- / 9
Commitments and awards related to sustainability; legal compliance	PR4	Non-compliance in connection with the labeling of products and services	Complete		-	-	-	-	This indicator is considered immaterial but the bank chose to continue reporting it on page- / 71
Clients	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Complete		PI - 5.; PI - 5.1; PI - 8.;	SOC 18. - SOC 20.; SOC 43.; SOC 44.	-	-	- / 6, 7, 8, 9, 55
ASPECT: COMMUNICATIONS AND MARKETING									
Commitments and awards related to sustainability; legal compliance	PR6	Adherence to laws, standards, and voluntary code programs	Complete		-	-	-	-	This indicator is considered immaterial but the bank chose to continue reporting it on page- / 71
Commitments and awards related to sustainability; legal compliance	PR7	Non-compliance cases related to the communication of products and services	Complete		-	-	-	-	This indicator is considered immaterial but the bank chose to continue reporting it on page- / 71
Clients	PR8	Total number of substantiated complaints regarding breaches of customer privacy	Partial	Part of the information not monitored	-	SOC 4.; SOC 17.	-	-	- / 10
ASPECT: COMPLIANCE									
Legal compliance	PR9	Penalties for non-compliance in products and services	Complete		-	SOC 48.	-	-	This indicator is considered immaterial but the bank chose to continue reporting it on page- / 71

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Topic	GRI	Indicator	Reported	Reason for Omission	Green Protocol	ISE	CDP	The Global Compact	Page Annual Report/ Indicators*
ASPECT: PRODUCT PORTFOLIO									
Social and Environmental Risk; Dialogue and Stakeholder Engagement	FS1	Policies with specific environmental and social issues applied to business lines	Complete		PII - 1.; PII - 11.; PIV - 5.	AMB-IF 2.; AMB-IF 8.	-	-	40 / 49, 52, 53
Social and environmental risk	FS2	Procedures for the evaluation and classification of environmental and social risks in business lines	Complete		PII - 10.; PII - 11.; PIV - 5.	AMB-IF 8.; AMB-IF 9.; AMB-IF 17.	-	-	40 / 49, 50, 52, 53
Social and environmental risk	FS3	Processes in place to monitor the implementation, by the client, of social/ environmental requirements included in agreements or transactions	Complete		-	-	-	-	- / 50, 54
Internal Audience	FS4	Processes in place to improve personnel competency in the implementation of social and environmental policies and procedures applied to business lines	Complete		-	AMB-IF 1.3	-	-	- / 21
Clients, Suppliers, Dialogue, and Stakeholder Engagement	FS5	Interactions with clients/ investors/ business partners as to any social and environmental risks and opportunities	Complete		PI - 9.; PIII - 4.2	AMB-IF 14.1	-	-	- / 12, 20, 41, 42, 43, 60, 64
Social and environmental products and services	FS6	Percentage of business line portfolio by specific region, scale (i.e., micro, small, medium, and large sized companies) and by sector	Partial	Not monitored	-	-	-	-	37, 55 / -
Social and environmental products and services	FS7	Cash value of products and services created to grant a social benefit for each line of business, by purpose	Partial	Not monitored	PI - 1.1	AMB-IF 14.1	-	-	69, 78 / 56, 57, 60
Produtos e Serviços Socioambientais	FS8	Valor monetário dos produtos e serviços criados para proporcionar um benefício ambiental específico para cada linha de negócios, divididos por finalidade	Partial	Not monitored	PI - 1.1	AMB-IF 14.1	-	-	69 / 57, 60
ASPECT: AUDITING									
Social and environmental risk	FS9	Depth and frequency of audits to assess the implementation of social and environmental policies, including risk assessment procedures	Complete		-	-	-	-	- / 50, 54
ASPECT: ACTIVE PARTICIPATION									
Stakeholder engagement and dialogue	FS10	Percentage and number of businesses in the bank's portfolio with which the organization interacted in social and environmental issues	Partial	Not monitored	-	-	-	-	- / 12
Social and environmental risk	FS11	Percentage of assets subject to social/ environmental screening, positive or negative	Partial	Not monitored	PII - 17.	AMB-IF 3.; AMB-IF 6.	-	-	- / 58, 59
Commitments and awards related to sustainability	FS12	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.	Complete		-	-	-	-	- / 60
ASPECT: COMMUNITY									
Social and environmental products and services	FS13	Points of access in less populated areas or low-income areas, by type	Complete		-	SOC 13.	-	-	78 / 30, 56
Clients	FS14	Initiatives to improve access to financial services for disabled persons	Complete		-	SOC 22.	-	-	- / 15
ASPECT: PRODUCT AND SERVICE LABELING									
Social and environmental products and services	FS15	Policies for the good development and sale of financial products and services	Complete		PI - 1.	AMB-IF 1.; AMB-IF 14.	-	-	- / 55, 61
Clients	FS16	Initiatives to improve financial education, by type of beneficiary	Complete		PI - 9.	AMB-IF 14.1; SOC 21.	-	-	31, 79 / 11, 21

CORPORATE INFORMATION

SHAREHOLDER ASSISTANCE

acionistas@santander.com.br

CONTACT US

- **If you need any additional information or wish to enter any requests or inquiries about your account and/or any Santander products, please call the Santander Customer Service Line:**

  4004 3535 (State Capitals and other Metropolitan Areas)

  0800 702 3535 (Other locations) 24/7 (Equipped to service people with hearing and speech impairments)

- **If you have any complaints, compliments, or wish to make any cancellations, you can also contact us by calling the Consumer Support Services (SAC.) :**

  0800 762 7777
  24/7. (Equipped to service people with hearing and speech impairments)

- **If you are unhappy with the outcome, call the Ombudsman:**

  0800 726 0322
  Monday through Friday 9am to 6pm, except on holidays. (Equipped to service people with hearing and speech impairments)

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