





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**.

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

WHAT DO YOU WANT TO KNOW ABOUT A BANK?

How to make an Annual Report that's more attractive, clear and informational to the reader, whether he is an investor, an employee or a college student who's interested in learning more about how a Bank works and its activities?

You'll notice that the structure for the chapters is leaner and organized in such a way as to facilitate reading and understanding the topics, including for those who are not familiar with the financial environment.

This challenge is what we had in mind when we prepared the 2013 Annual Report for Banco Santander Brazil. With explanative texts, infographics and articles signed by specialists we tried not only to report the important events in our operations throughout 2013 but we also wanted to provide a tool that allows queries, analyses and comps for our various audiences about the framework and the activities for each area and business segments in the Bank.

We also tried to further integrate financial results and the social and environmental variables in our activities, to show how the inclusion of sustainability practices to our business strategy is an exercise that brings about positive outcomes to all spheres of our business. Not only to ourselves, but to all our stakeholders and that includes the environment.

Enjoy your reading!

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

KEY INDICATORS

21.8 million
CHECKING ACCOUNTS

37,000
SCHOLARSHIPS GRANTED

The data presented in this report meet the local accounting standards, i.e., the Brazilian Generally Accepted Accounting Principles, (the "BR GAAP") the reference standards in financial statements among the local banks.

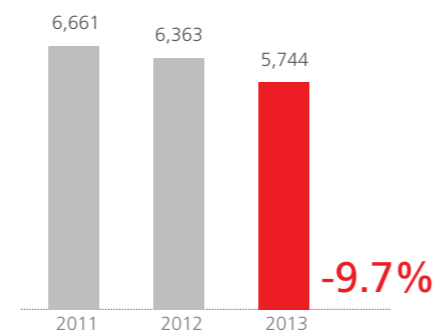
The financial statements under BR GAAP can be viewed at www.santander.com.br/ir, in the Financial Information / Results Center section. In the same website the visitor will see the results ascertained according to the International Financial Reporting Standards (the "IFRS").

This section both highlights the key results for the year and delves in two factors: the editorial line of the Annual Report, which purpose is integrating social, environmental, and economic results; and the positioning of the Bank towards sustainability, and that this topic should be central and not secondary to the business.

The evidence of this is that our key indicators in sustainability, such as social/environmental financing, client complaints and social/cultural investments are not severed from the key financial information in this chapter - they are in fact embedded in structures that provide an overview of the business, such as Result Indicators, Client Indicators and Credit Indicators.

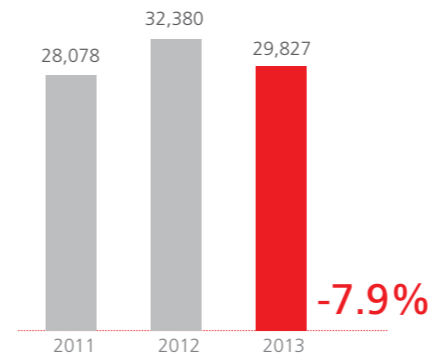
THE CREDIT PORTFOLIO GREW BY 7.3% IN 2013 TO R\$227.5 BILLION

MANAGERIAL NET PROFIT (R\$ million)

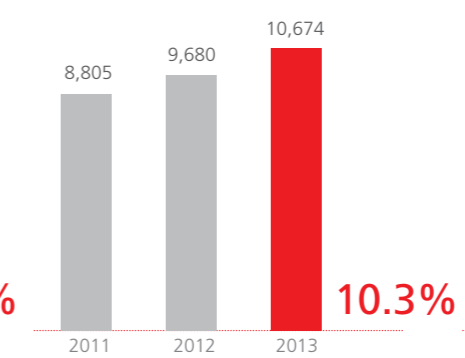


FINANCIAL INDICATORS

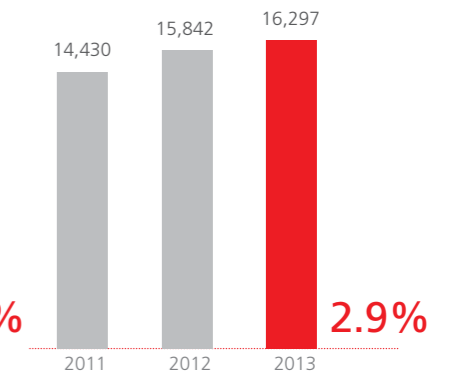
NET INTEREST INCOME (R\$ million)



FEE AND COMMISSION INCOME (R\$ million)

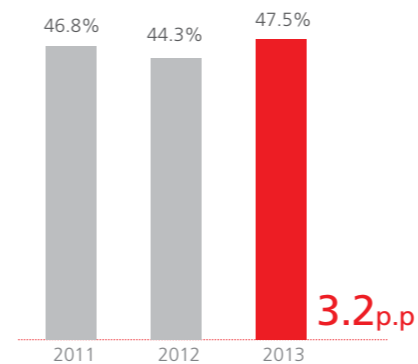


ADMINISTRATIVE AND PERSONNEL EXPENSES⁽¹⁾ (R\$ million)

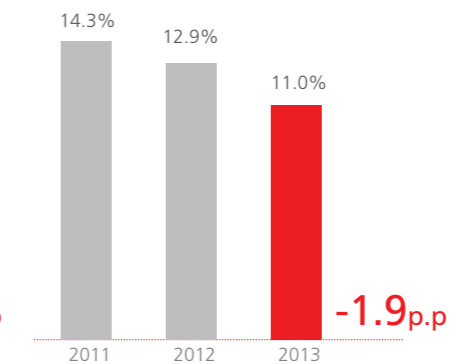


(1) Administrative Expenses exclude 100% of the goodwill amortization expense. Personnel expenses include Profit Sharing.

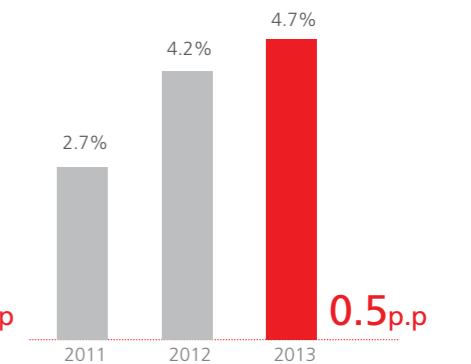
EFFICIENCY RATIO



ROAE

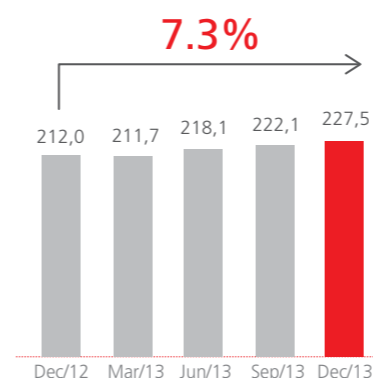


EXTERNAL SOCIAL AND CULTURAL INVESTMENT ON NET INCOME

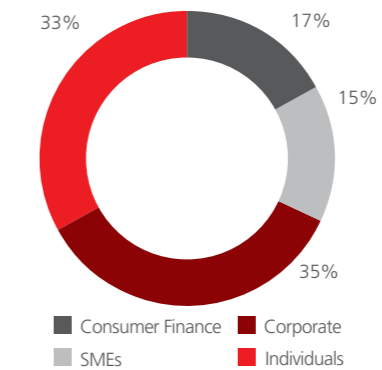


Credit Indicators

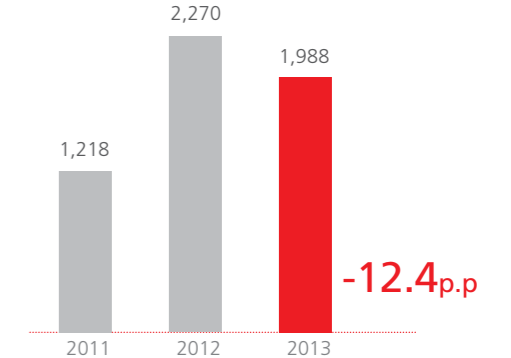
PERFORMANCE LOAN PORTFOLIO (R\$ billion)



BREAKDOWN OF LOAN PORTFOLIO (Dec./13)



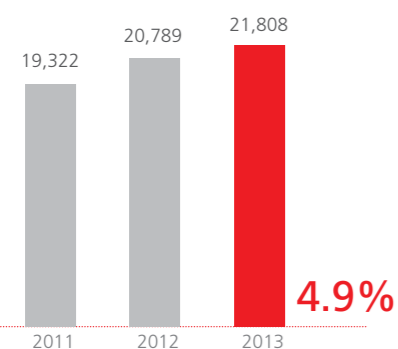
SOCIAL AND ENVIRONMENTAL FINANCING (individuals + corporate) (R\$ million)



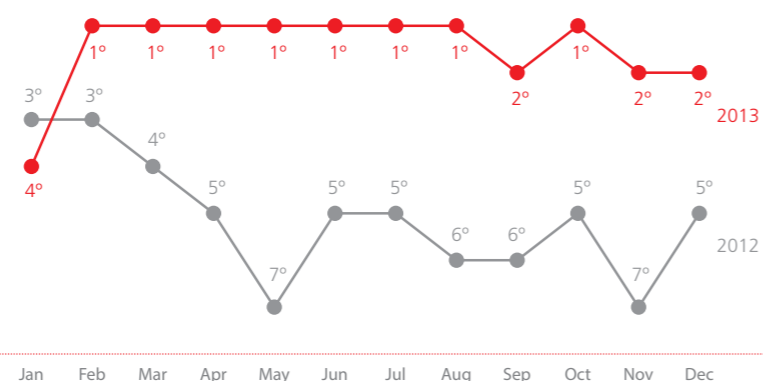
KEY INDICATORS

Client Indicators

TOTAL CURRENT ACCOUNTS (in thousands)

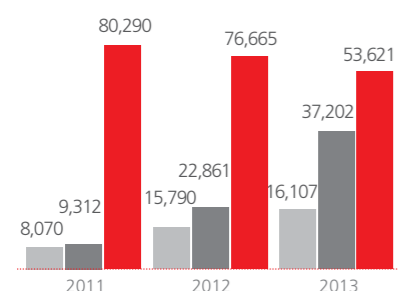


RANKING OF COMPLAINTS FILED WITH THE BRAZILIAN CENTRAL BANK (Santander Brazil's monthly position)



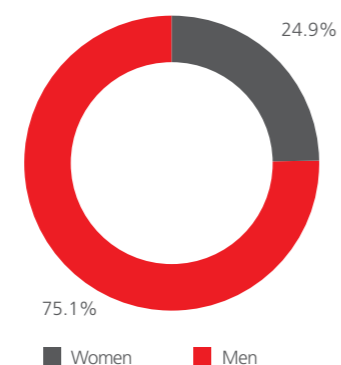
Environmental and Social Indicators

CO₂ emissions (t)

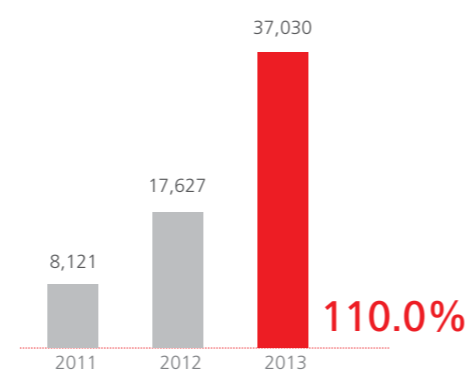


- Scope 1: refrigerant gases, generators and vehicle fleet
- Scope 2: purchase of electricity
- Scope 3: air travel, organic waste with third-parties, *papa-pilhas*, power consumption at third-party premises, and transport of valuables and chartered buses

WOMEN IN LEADERSHIP POSITIONS



UNIVERSITIES – TOTAL SCHOLARSHIPS GRANTED



MANAGERIAL ANALYSIS ⁽¹⁾ - BR GAAP	2013	2012	2013X2012 CHANGE
RESULTS (R\$ million)			
Net Interest Income	29,827	32,380	-7.9%
Fee and Commission Income	10,674	9,680	10.3%
Allowance for loan losses	(11,720)	(13,223)	-11.4%
General expenses ⁽²⁾	(16,297)	(15,842)	2.9%
Managerial Net Profit⁽³⁾	5,744	6,363	-9.7%
BALANCE SHEET (R\$ MILLION)			
Total assets	485,866	448,876	8.2%
Securities	78,146	76,832	1.7%
Loan Portfolio	227,482	211,959	7.3%
Individuals	75,522	71,287	5.9%
Consumer finance	37,849	36,806	2.8%
SMEs	33,712	36,487	-7.6%
Corporate	80,400	67,379	19.3%
Extended credit portfolio ⁽⁴⁾	279,812	255,964	9.3%
Funding from clients ⁽⁵⁾	222,067	199,193	11.5%
Equity ⁽⁶⁾	53,446	50,514	5.8%
PERFORMANCE INDICATORS (%)			
Return on average equity excluding goodwill ⁽⁶⁾ - annualized	11.0%	12.9%	-2.0 p.p.
Return on average asset excluding goodwill ⁽⁶⁾ - annualized	1.3%	1.5%	-0.2 p.p.
Efficiency ratio ⁽⁷⁾	47.5%	44.3%	3.3 p.p.
Recurrence ratio ⁽⁸⁾	65.5%	61.1%	4.4 p.p.
BIS ratio ⁽⁹⁾	19.2%	20.8%	-1.6 p.p.
PORTFOLIO QUALITY INDICATORS (%)			
Delinquency (over 90 days)	3.7%	5.5%	-1.8 p.p.
Delinquency (over 60 days)	4.6%	6.6%	-2.0 p.p.
Coverage rate (over 90 days)	179.4%	125.6%	53.9 p.p.
OTHER DATA			
Assets Under Management - AUm ⁽¹⁰⁾ (R\$ million)	144,942	134,935	7.4%
Number of credit and debit cards (thousand)	53,221	48,362	10.0%
Branches	2,313	2,407	(94)
PABs (mini branches)	1,253	1,381	(128)
ATMs	16,958	17,793	(835)
Total customers (in thousands)	29,512	27,315	2,197
Total current accounts ⁽¹¹⁾ (in thousands)	21,808	20,789	1,019
Employees	49,621	53,992	(4,371)
SOCIAL AND ENVIRONMENTAL INDICATORS			
Women in leadership positions	24.9%	25.5%	-2.0%
Social and environmental financing (individuals + corporate) (R\$ million)	1,988	2,270	-12.4%
Total social and cultural investment (R\$ thousand)	99,466	113,828	-12.6%
Total number of scholarships granted	37,030	17,627	110.1%
*CO₂ emissions (t)⁽¹²⁾			
Scope 1	16,106	15,790	2.0%
Scope 2	37,202	22,861	62.7%
Scope 3	53,621	76,665	-30.1%

(1) Excludes 100% of goodwill amortization expenses, the fiscal hedging effect and other adjustments, as stated on pages 67 and 68. Additionally, the 2012 figures were retroactively impacted by Resolution CVM 695, issued on December 2012, on employee benefits, especially pension funds.

(2) Administrative expenses exclude 100% of the goodwill amortization expenses. Personnel expenses include Profit Sharing.

(3) Managerial Net Profit corresponds to net income before profit sharing plus 100% of the reversal of expenses in relation to the amortization of goodwill for the period.

(4) Includes other credit risk transactions with clients (debentures, FIDC, CRI, promissory notes, promissory notes placed abroad, acquired assets, and collateral).

(5) Includes savings, demand deposits, time deposits, debentures, LCA, LCI and treasury notes.

(6) Excludes 100% of the goodwill balance (net of amortization).

(7) Efficiency: General expenses/(gross interest margin + fee income and bank charges + tax expenses + Non-Interest income/expenses).

(8) Recurrence: (Fee income and bank charges)/General Expenses.

(9) Ratio in accordance with Central Bank criteria. Any impacts from the Capital Structure Optimization Plan are not considered.

(10) In accordance with the criteria of the Brazilian Association of Financial and Stock Market Entities (the "ANBIMA").

(11) Number of checking accounts, according to the Brazilian Central Bank.

(12) See explanations on page 53 of the Annual Report Attachment, at www.santander.com.br/ir, in the Financial Information section / Results Center / Annual Report.



MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS G4-1

THE QUALITY OF THE CREDIT PORTFOLIO HAS IMPROVED; NPL RATIO IS DOWN AND THE NET SPREAD IS BACK IN THE GROWTH PATH, BENEFITTING BOTH CLIENTS AND OUR BUSINESS

Initially let me highlight the changes we made in the format of our Annual Report, in order to make it more streamlined and explanative with infographics on both the sector and Bank activities. These changes reflect a number of suggestions we received and we hope this will increase reader interest in a more dynamic, explanatory reading.

The modest scenario for the economic activity in 2013, with lower credit growth rates and lower spreads led all players in the local financial sector to adapt their strategy while striving for increased operational efficiency and improving the quality of their asset portfolio. The continued grow of interest rates, the devaluation of the Brazilian real and the potential spike in inflation rates were offset by low unemployment rates, the stable consumer market and the gradual improvement in the external environment.

Aware of the transformations in the economic environment, for us at Santander Brazil was a key year in search of two objectives: adjusting our structure to the new realities in the local financial industry while becoming a bank with a focus on client satisfaction.

We were already working on this topic since the previous year and our transition was reinforced in the second semester of 2013 when our new CEO Jesús Zabalza took office – he was the former Head of Grupo Santander for Latin America and brought to us his international experience to complete the transaction initiated by the successful tenure of his predecessor Marcial Portela.

In order to meet the provisions of the tenure as defined by shareholders, including strong, recurring and profitable growth rates, the Board of Directors and the Executive Board are committed to the execution of sustainable change that improves performance and results. The Executive Board implemented a new business focus, targeting the improvement in the credit portfolio while increasing efficiency, productivity and building client loyalty.

The results of the two last quarters in 2013 show the benefits of this model, which is more sustainable both for the Bank and the clients. An example of this is that with the strong growth of lower credit cost products, the quality of our credit portfolio improved, NPL ratio dropped and the net spread resumed its growth path, even after a material reduction in the gross spread, while benefitting both clients and the business.

Upon the implementation of this new business focus, we at Santander Brazil have adapted to a new economic/ financial environment, and prepared to capture opportunities in every segment we operate in, in such a way as to enlarge our operations and compensating our shareholders in a strong manner.

In 2013 the capital optimization plan, the dividend payout and the improvements in corporate governance were well-accepted by shareholders. Not only did we announce over R\$ 2.4 billion payout in both dividends and interest on equity for year 2013 but we also structured a bonus payment plan and the grouping of common and preferred shares (completed in 2014), which meets minority shareholder aspirations while eliminating the trading in cents for these shares, increasing their liquidity and reducing transaction costs.

In 2013, the Board of Directors made a special effort to implement shares in connection with the 2012 assessment while it conducted a new assessment via independent consultants for continuous improvement going forward.

In line with our mission, the Board of Directors worked with the Executive Board to review and approve the long-term strategy, with key focus on the strong execution of the priorities set out for improving the quality of the credit portfolio; boosting efficiency; client loyalty; and productivity. All of this in addition to the renewed action in employee training and availability of growth opportunities for all.

We have confidence in Brazil while relying on a long-term strategy that prioritizes selective growth, a close, long-lasting relationship with shareholders and the alignment with the economic and social development agenda of the country, to take place via aspects such as a sustainable credit expansion model, strong support to entrepreneurship and considerable investment in infrastructure projects.

The long-term vision aligned with the priorities for the country is strongly associated to our commitment with sustainability, under the assumption of the joint continued development of our business and the country.

We are aware that this is a time of deep transformation, whether social (with a strong class mobility in the last few years), or environmental, considering the implications of climate changes. We also know that a bank such as Santander Brazil, with over 29 million clients in every segment, has both the tools and the duty of contributing with the development of the area.

This is our agenda and our main challenge in the years to come: capturing opportunities aligned with the phase this country is going through while delivering the best outcomes to our shareholders and the society at large.

Celso Clemente Giacometti

Chairman of the Board

São Paulo, March 2014.



MESSAGE FROM THE CEO G4-1

OUR ACTIONS WILL ALWAYS BE GEARED TO OUR CLIENTS AND THEIR SATISFACTION. PROFITABILITY, GROWTH AND BRAND RECOGNITION ARE JUST CONSEQUENCES THEREOF

1 HOW DOES SANTANDER SEE THE POTENTIAL OF BRAZIL IN THE COMING YEARS AND WHAT ARE THE BANK'S PLANS FOR THE COUNTRY?

Few economies worldwide have such a critical mass and potential for growth as Brazil. The country relies on a strong local market and a dynamic, stable business environment, while generating great investment opportunities. Of course the international crises in the last few years led the country's economic growth to remain below the desired levels and highlighted the need for reforms at a macro level. However, these issues did not change our trust in the country. Brazil is a priority for the Santander Group and remains as such. In a recent speech, the Group Chairman Mr. Emilio Botín said that "a concern we would have about Brazil is not being in Brazil".

2 2013 SAW MATERIAL CHANGES IN THE FINANCIAL SECTOR. HOW DO YOU ASSESS YOUR PERFORMANCE AND WHAT WERE THE KEY ADVANCEMENTS?

The transformational scenario in the financial industry demands that the banks increase productivity while enhancing efficiency in operations. This effort did not end in 2013: it is a goal we must pursue at all times if we want to remain competitive.

To that effect I highlight two efforts: we completed our offer/segmentation for individuals with the launch of both Contas Combinadas and Santander Select; we started operations for our new Data Center, the most advanced in Latin America; with an excellent management in credit grant and recovery, we managed to reduce NPL ratio to a level that is below the market average; and with a conservative cost control policy our expenses grew by half the inflation rates for the period.

Another point we would like to highlight in 2013 was the amazing response by our employees to our internal suggestion program "Trabalhar Bem" (Working Right). We had the participation of more than 10,000 employees who suggested 942 ideas that were either adopted or are in the implementation phase. This engagement by our employees encourages us to further advance in our efforts.

3 WHAT ARE THE SANTANDER BRAZIL OBJECTIVES AND THE STRATEGIES FOR 2014?

Our objective can be summarized in a single word: Growth. We strive for selective growth, with efficiency and profitability. To that effect our focus is on a single element: our clients. We want to increase the number of clients. Loyal, happy customers. Our actions will always be geared to our clients and their satisfaction. Profitability, growth and brand recognition are just consequences thereof. 2014 will be our commercial year.

4 HOW HAS THE BANK SOUGHT TO IMPROVE CLIENT SATISFACTION?

In 2013 we had an increase in the complaints with the Central Bank. Although the number of complaints is rather small vis-à-vis our total number of clients, this is a situation that we can't - and won't accept. The "Trabalhar Bem" program is tackling the root causes of such complaints and solving the issues involved. The outcome will be felt soon. Incidentally, the number of complaints placed with Customer Service and Ombudsman reflect this initiative.

We need happy clients and as a consequence, loyal clients. This is one of the key points in our strategy. Not only do we strive to increase the number of clients, but we also want to increase the number of clients for whom Santander is the main bank.

5 WHAT IS THE POSITIONING OF SANTANDER BRAZIL IN TERMS OF SUSTAINABILITY AND HOW HAS THE BANK ADVANCED ON THIS ISSUE?

Sustainability is one of the pillars of Santander Brazil. In addition to being one of our main tenets such as the Global Compact, the Equator Principles and the *Pacto Nacional pela Erradicação do Trabalho Escravo*, we have our own agenda with focus on providing support to develop the most critical topics for Brazil. To that effect, we lead our initiatives around three tenets: Social and Financial Inclusion, Education and Sustainable Business. In 2013, we both achieved and consolidated key advancements in these three topics. Among other achievements, we granted microcredit in excess of R\$ 2 billion; we exceeded the level of 37,000 scholarships for low income students with high academic performance through the Santander Universities program; we granted approximately R\$ 2 billion in social/environmental financing while launching a pioneering program that offsets carbon emissions on a daily basis for both firms and individuals. In 2014 we will advance our work plan contemplating our long-term commitments and outcomes, fully integrated to our business with quantifiable metrics.

Jesús Zabalza
CEO

São Paulo, March 2014.

ORGANIZATIONAL PROFILE

29 million
CLIENTS



3,566 branches
AND MINI BRANCHES COMPRISED
OUR COMMERCIAL NETWORKAL

A SPANISH ACCENT WITH A BRAZILIAN SOUL

With total assets of R\$ 485.9 billion, Santander Brazil is the third largest private sector bank in the country.

With the inception of its operations in the local market in 1982, Santander Brazil is the third largest private sector bank in the National Financial system, with total assets of R\$485.9 billion and 29 million clients. The Bank relies on a team of approximately 50,000 employees and has a footprint in all regions of the country via a comprehensive structure comprised by 3,566 branches and mini branches (PABs) and 16,958 thousand ATMs, including regional offices, technology centers, customer service and areas for cultural activities. [G4-6](#) [G4-8](#)

Santander Brazil operates into two structures: Commercial Bank, which comprises Retail activities such a services to Individuals and SMEs, and Wholesale, focused on larger enterprises and stock market trading. [G4-3](#)

This structure is in charge of providing financial services such as checking accounts, credit, financial consultancy and distribution of insurance and investment products for clients in all segments. [G4-4](#)

With principal offices in São Paulo, the Brazilian operations form integral part of the Santander Group, with headquarters in Spain, the main financial conglomerate in the Eurozone with a large footprint in Latin America. [G4-5](#)

The model adopted locally and in other countries is standalone subsidiary company in both capital and liquidity, in line with the operating characteristics and regulation for each market, in such a way as to segregate the risk among different units.

In the last four years Santander Brazil results represented the largest individual contribution to the Santander Group global results; this is the measure of the strategic importance of the Brazilian operations worldwide. In 2013 the local operations represented a 23% contribution to global results.

While Santander Brazil is recognized both locally and abroad for its commitment to sustainable development, the Bank was elected by the British newspaper Financial Times and by IFC (International Finance Corporation) as the most sustainable bank in the Americas in 2013. In the same edition of the award, Santander Group was elected the Sustainable Global Bank of the Year.

The Mission of Santander Brazil, as approved by the Executive Committee and the Board of Directors, is "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."

With a BIS ratio of 19.2%,
Santander Brazil is the
soundest among the large
local banks.

THE ROLE OF BANKS IN SOCIETY

*By José Cláudio Securato

Every day economic agents use cash to conduct their activities. Part of these agents has a surplus, i.e., excess cash, that may be used to build savings. As an example, governments collect taxes and manage them; small, medium and large enterprise save money to plan future investments; individuals save money to make their dreams come true. Therefore, savers save money to eventually spend it, invest it while achieving their plans for the future.

On the other hand, there are debtors, i.e., economic agents that spend more cash than they actually own and therefore need bank loans to offset their accounts. As an example, governments take loans to invest in cities, states and the country; small, medium and large-sized firms borrow money to make additional investments in new plants, stores and inventories; and

individuals take loans to achieve their dreams now such as buying a home, finance education, vehicles, trips, get married and have children. Therefore, debtors can achieve their investment plans by borrowing money.

What is the role of a bank in this process? The role of a bank is to find agents that own excess cash and those that need cash. Thus, it has been said that the main function of a bank is to be the middle person between the savings generated by agents with a surplus of cash (savers) and agents that need cash to invest (debtors). Banks can also use their equity (provided by shareholders) in loans, thereby increasing the volume of cash for investment.

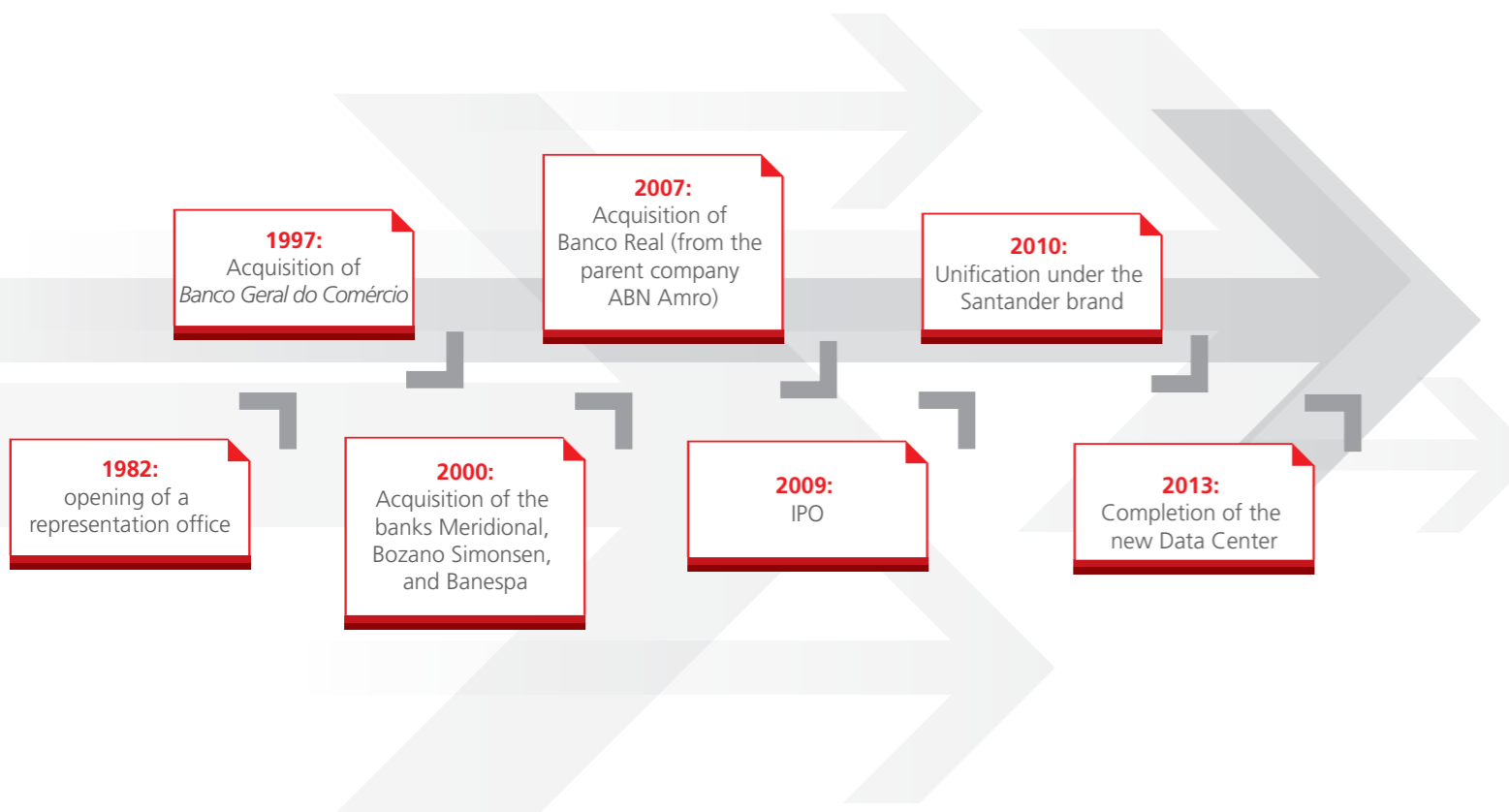
The bank charges interest paid by debtors as compensation for the cash borrowed and this allows debtors to have immediate access to capital. On the other hand, the

bank pays for the cash deposited by savers by paying interest as a premium to save their cash. Throughout time, savers will have additional cash upon receiving interest and may make their own dreams come true. The spread is the main compensation by the bank and is the difference between the interest rates it charges from debtors and the interest rates it pays to savers.

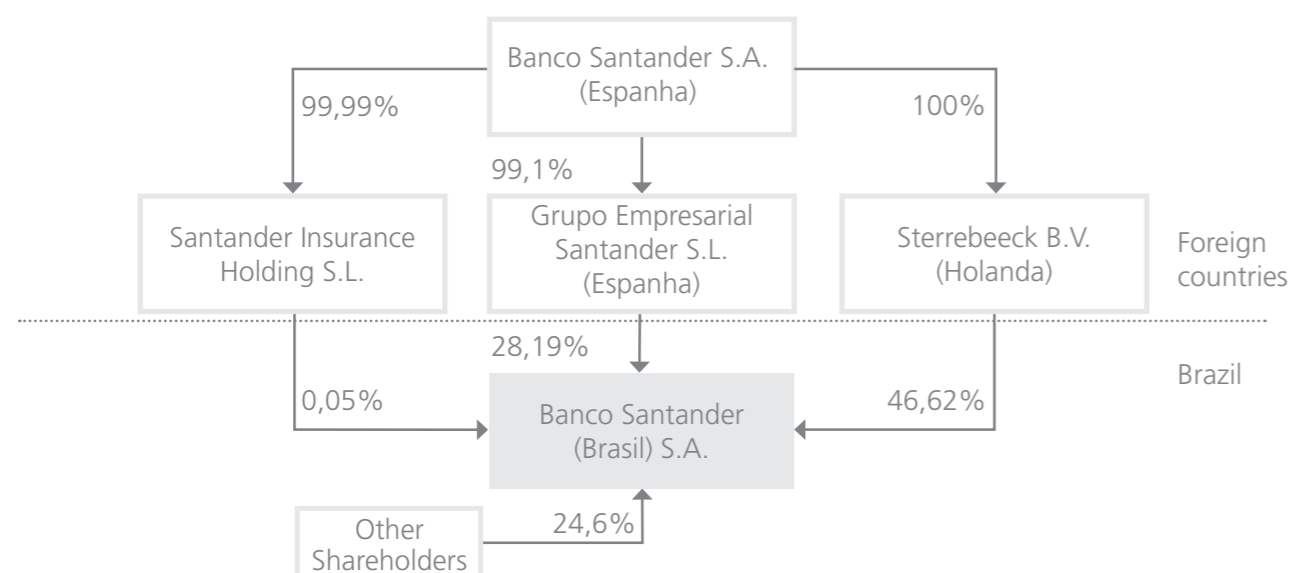
Banks work beyond building bridges between savings and investments; they provide services to society such as checking accounts, investments, pension funds, cards, and insurance, to name a few. All things considered, it can be said that: banks contribute to the growth of the Gross Domestic Product (the GDP) and to create jobs, and therefore accelerate the development of the country.

*José Cláudio Securato earned his PhD in Business Administration from the FEA-USP and is the President of Saint Paul Escola de Negócios

Santander Group in Brazil



Simplified ownership chart ⁽¹⁾



(1) Date: December 31, 2013.



Ownership Structure ^{G4-9}

Santander Brazil has its common shares, preferred shares and units listed on the local Exchange, the BM&FBOVESPA, tickers SANB3, SANB4 and SANB11, respectively; it also trades American Depositary Receipts (ADRs) on the New York Exchange (ticker BSBR). ^{G4-7}

As of December 31, 2013 the ownership structure of Bank was:

Shareholder Name	Common Shares		Preferred Shares		Total %
	Quantity	(%)	Quantity	(%)	
(in 000 shares, Except for %)					
Grupo Empresarial					
Santander, S.L. (GES) ⁽¹⁾	61,350,950	28.8%	51,153,553	27.5%	28.2%
Sterrebeeck B.V. ⁽¹⁾	99,527,083	46.8%	86,492,330	46.5%	46.6%
Santander Insurance					
Holding, S.L. (SH) ⁽¹⁾	206,664	0.1%	-	0.0%	0.1%
Employees	154,108	0.1%	141,276	0.1%	0.1%
Board Members	(*)	(*)	(*)	(*)	(*)
The Executive Board	(*)	(*)	(*)	(*)	(*)
Other	50,581,468	23.8%	47,486,627	25.5%	24.6%
Total	211,820,273		185,273,786		
Treasury shares	1,021,459	0.4%	928,599	0.4%	0.4%
Total	212,841,732	100.0%	186,202,385	100.0%	100.00%

(1) Companies of Grupo Santander Spain.

(*) None of the members of the Board of Directors or the Executive Board holds 1.0% or more of any class of Santander's shares.

Shareholder Base ^{G4-9}

Distribution of share capital per type of shareholder as of December 31, 2013 was as follows:

	Common shares	Preferred shares	Total
Individuals	1.36%	2.09%	1.70%
Institutional	22.64%	23.59%	23.08%
Non-Institutional	0.32%	0.41%	0.36%
Santander Spain*	75.68%	73.92%	74.86%
Total	100.00%	100.00%	100.00%

(*) Sterrebeck / Grupo Empresarial Santander / Santander Insurance Holding

Santander Brazil relies on more than 172,000 individual investors, and the Bank adopts a dividend payout policy that is transparent for its shareholders.

- WITH THE INCEPTION OF ITS OPERATIONS IN THE LOCAL MARKET IN 1982, SANTANDER BRAZIL IS THE THIRD LARGEST PRIVATE SECTOR BANK IN THE NATIONAL FINANCIAL SYSTEM, WITH TOTAL ASSETS OF R\$ 485,9 BILLION AND 29 MILLION CLIENTS.
- THE BANK HAS ITS FOOTPRINT IN ALL REGIONS THROUGHOUT THE COUNTRY, WITH A NETWORK OF 3,556 THOUSAND BRANCHES AND MINI BRANCHES, WITH A TEAM OF APPROXIMATELY 50,000 EMPLOYEES.
- OUR MISSION IS "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."

23%

IS THE BRAZILIAN CONTRIBUTION TO THE SANTANDER GROUP GLOBAL RESULTS

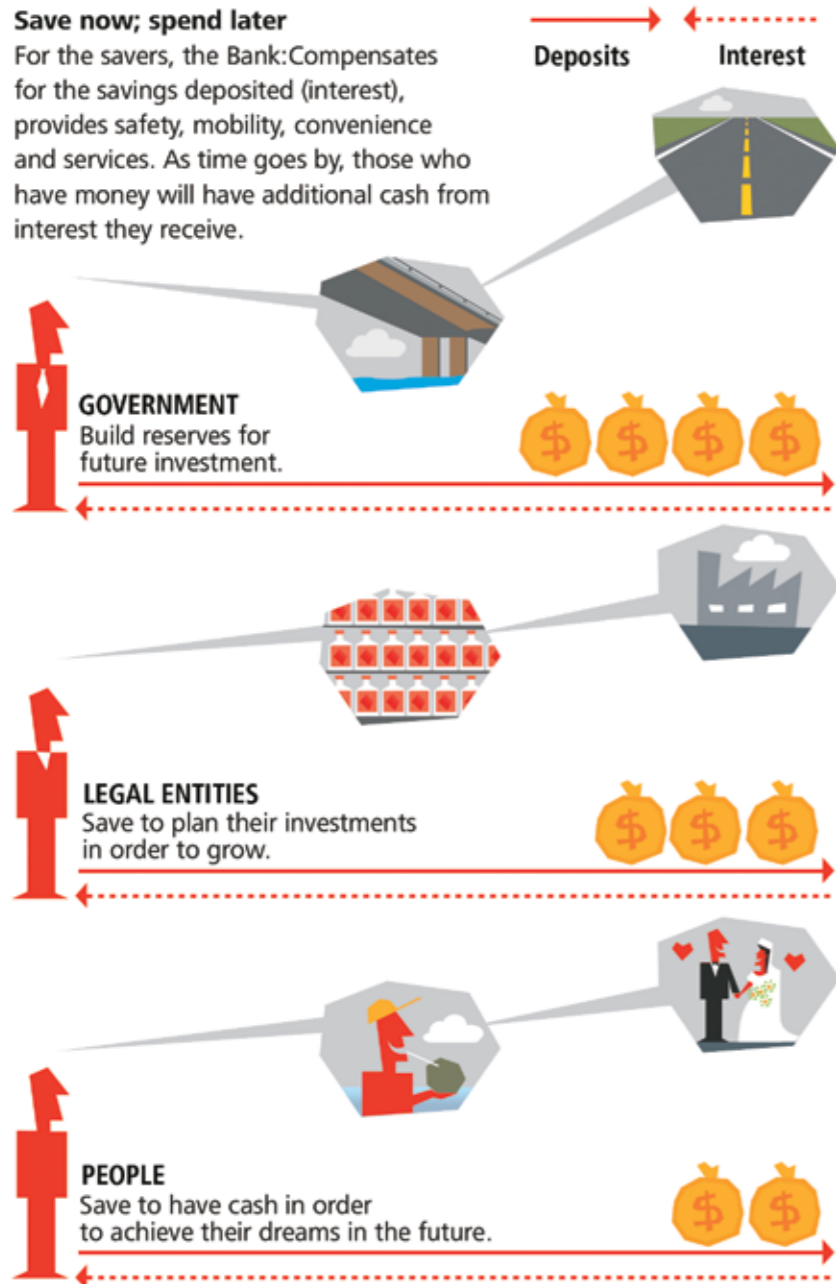


HOW DOES A BANK WORK?

SAVERS

Save now; spend later

For the savers, the Bank: Compensates for the savings deposited (interest), provides safety, mobility, convenience and services. As time goes by, those who have money will have additional cash from interest they receive.



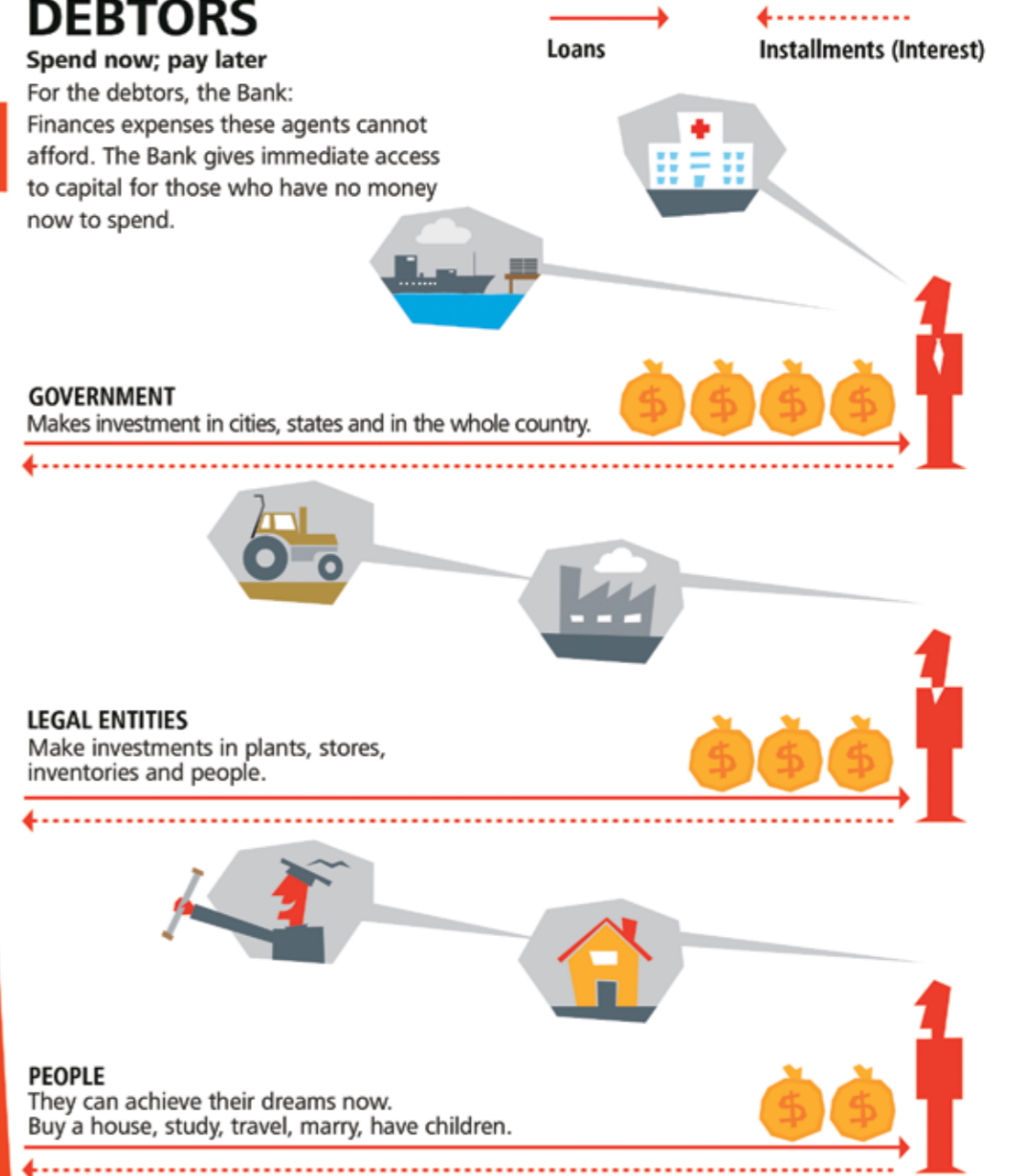
INTEREST (%)
The bank compensates the cash it borrowed from the savers by paying interest, as a premium to save their cash.

SPREAD
It's the main compensation paid by the bank. It is the difference between the interest rates it charges from debtors and the interest rates it pays to savers.

DEBTORS

Spend now; pay later

For the debtors, the Bank: Finances expenses these agents cannot afford. The Bank gives immediate access to capital for those who have no money now to spend.



INTEREST (%)
The bank charges interest paid by debtors as compensation for the cash borrowed and this allows debtors to have immediate access to capital.



THE MAIN FUNCTION OF THE BANK IS...
... to act as the middle person between the savings generated by agents with a surplus of cash and agents that need cash to invest. By turning savings into investments, Banks accelerate the development of the country.

SANTANDER IN THE WORLD

10 BILLION EUROS
ARE THE QUARTERLY REVENUES
GENERATED BY THE GROUP



Headquarters of Santander UK, London, UK

47 %
WAS THE CONTRIBUTION OF LATIN
AMERICA TO GLOBAL RESULTS

SANTANDER GROUP RESULTS

The Group recorded a net profit of EUR 4.4 billion in 2013. The lesser need for provisions, upon the completion of the clean-up of the real estate market in Spain, allowed a strong increase in results YoY.

The economic scenario for the Santander Group business remained weak in 2013. As the year went by the global economy began to improve gradually. The developed economies especially began to show improved growth rates, whilst inflation remained at low levels, which helped keep interest rates at exceptionally low levels in the yield curve. At the same time the backdrop was created for credit recovery, although, with the exception of the American economy, this will not be reflected in the actual figures before this year.

The Eurozone overcame recession and is set towards integration, especially in terms of Banking Union. Spain also had a positive growth in the 4T13, which helped restore market confidence, as evidenced by the drop in the risk premium, the spike in the Stock Exchange, and the increase in foreign investments.

Commercial activity and revenues

The Group credit operations fell by 2%, as the growth in emerging markets (+14%) was not sufficient to offset the drop in demand for credit in mature countries (-6%), despite the efforts to provide support to Small and Medium Enterprises (SMEs) both in Spain and in the United Kingdom. Group deposits grew by 0.1% with significant gains in market share in Spain in the last two years.

Despite the still difficult environment, the Group succeeded in generating 10 billion euros in quarterly revenues - excluding the impact of exchange rates - and 39.8 billion euros in FY13.

Costs remained stable in approximately 5 billion euros per quarter, with a downtrend in mature countries and an uptrend in emerging markets due to the continued expansion of networks. The Group's Efficiency ratio (49.9%) places Santander among the most efficient international banks. To that effect, the synergies from mergers in progress in both Spain and Poland started to give results and should have a larger impact in 2014 and 2015.

The operating results before provisions for doubtful accounts totaled 19.9 billion euros, one of the highest among the large banks worldwide.

Credit rating

The NPL ratio grew to 5.6%. The NPL coverage ratio for the Group was 62%.

Loan loss provisions were reduced to 10,9 billion euros (-14.1%), helped by the positive developments in Brazil. Consequently, the cost of credit (provisions/total credit) fell from 2.4% by the end of 2012 to 1.5% in December 2013.

Net profit

All of these trends in revenues, costs and provisions, together with reductions in the book value of real estate property, resulted in a 90.5% spike in net profit, to 4.4 billion euros.

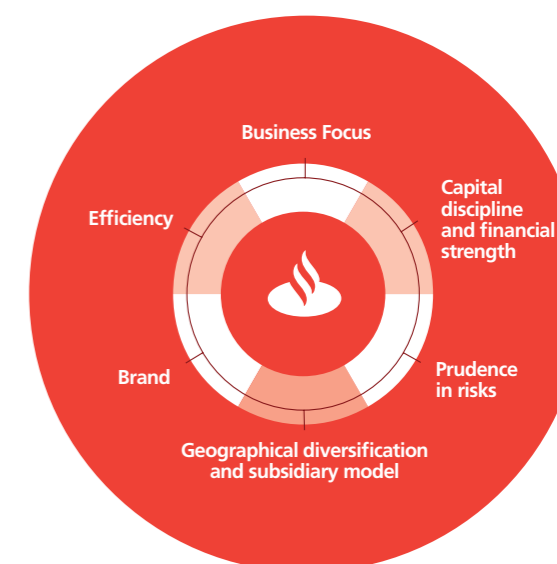
Net profit remained diversified geographically. Brazil (23%), the United Kingdom (17%), Mexico and the USA (10% each), Spain (7%), Chile, Germany and Poland (6% each), Argentina (5%), Portugal (2%), other countries in Latin America (3%) and other European countries (5%).

Strength of the Balance Sheet

In 2013 the Santander Group continued its efforts to reinforce its key capital and liquidity indices in a response to the difficult economic and financial environment and the new regulatory requirements.

The core capital ratio rose 138 basis points to 11.71%, in accordance with BIS II criteria. Our capital breakdown places the Group in a rather comfortable position to meet the BIS III, with regulations that came into force on January 1, 2014.

The weak demand for loans and the capacity of the Group to capture deposits via its commercial network allowed us to continue to improve our liquidity position in 2013. The commercial gap - i.e., the difference between loans and deposits - fell by 23 billion euros and the loan-to-deposit ratio was 109% (113% by the end of 2012).



SANTANDER IN THE WORLD

GEOGRAPHICAL DIVERSIFICATION G4-6

Grupo Santander has a balanced geographical diversification between mature and emerging markets which accounted for 47% and 53% of profits, respectively, in 2013.

The Bank concentrates on 10 core markets: Spain, Germany, Poland, Portugal, the United Kingdom, Brazil, Mexico, Chile, Argentina and the USA. It also has significant market shares in Uruguay and Puerto Rico, consumer finance businesses in other European countries and a presence in China through wholesale banking and consumer finance.

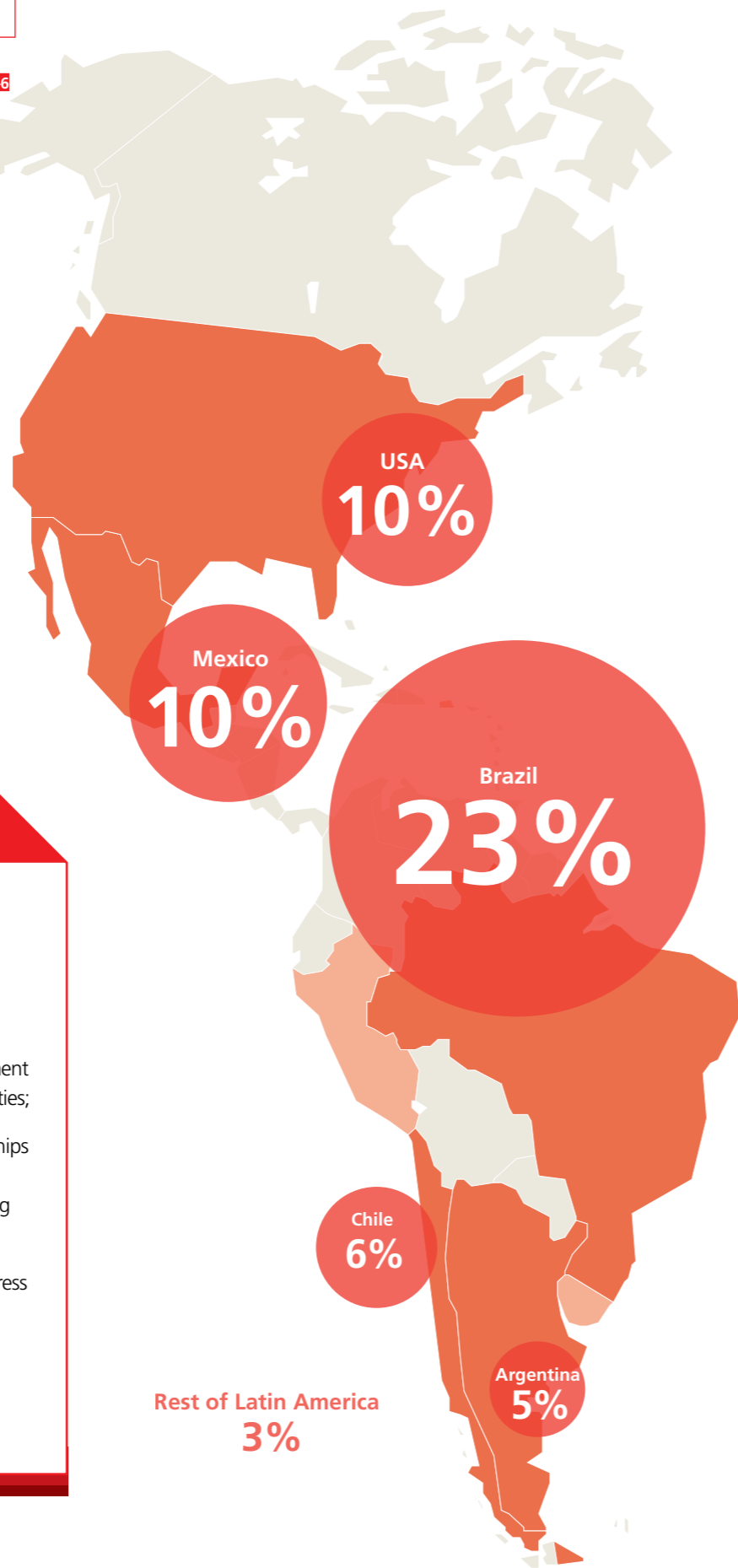
The global business areas develop products that are distributed in the Group's retail networks and provide services to clients globally.

SUSTAINABILITY

In the view of Grupo Santander, being sustainable means:

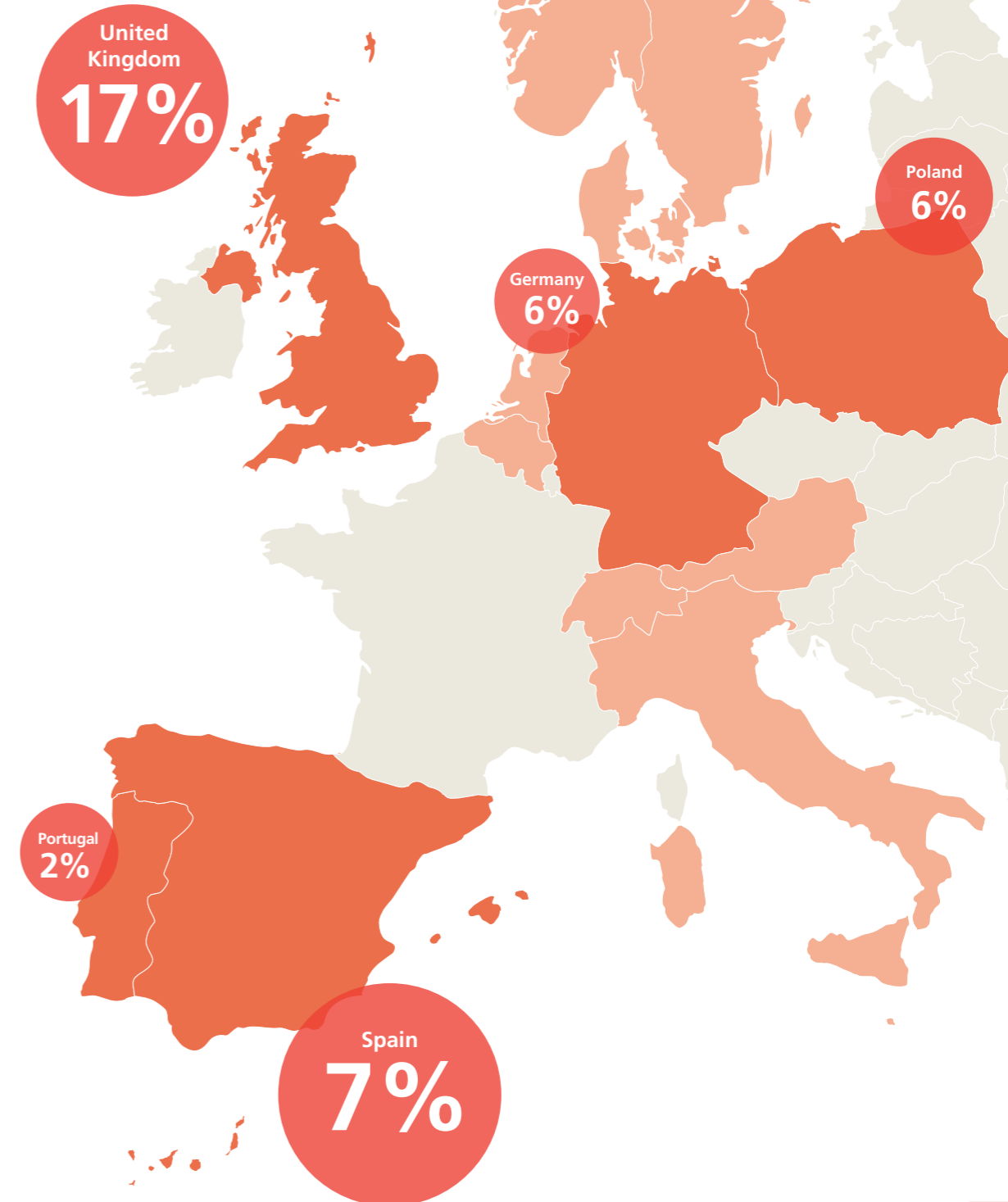
- Introducing ethical, social and environmental criteria to the business;
- Having a solid corporate governance;
- Combining long-term vision with an environment of change, taking full advantage of opportunities;
- Maintaining stable and long-lasting relationships with the Group's stakeholders as a means 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 on Santander Group's initiatives in other countries, please visit www.santander.com.



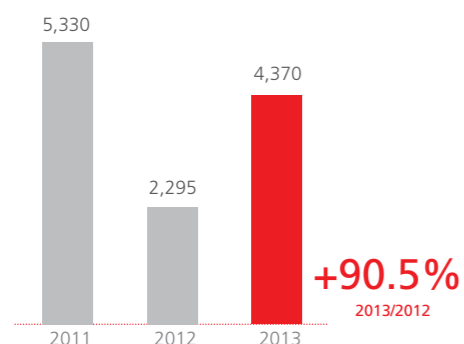
Distribution of attributable profits among geographic regions

- 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.

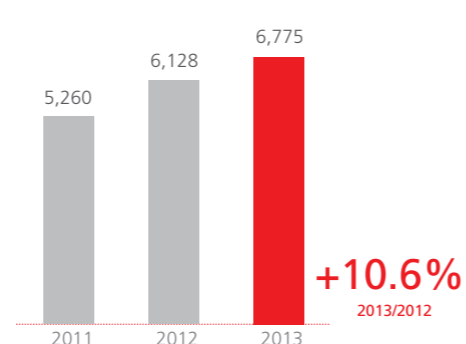


Despite the hard economic environment in 2013, the Santander Group reported a net profit of 4.4 billion euros; the Bank also increased its capital ratios, improved its liquidity position and maintained dividend payout at 0.60 euros per share for the fifth consecutive year.

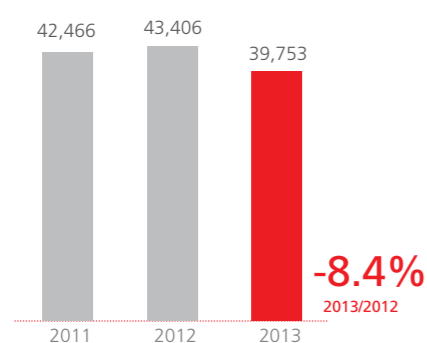
■ ATTRIBUTABLE PROFIT
(Million euros)



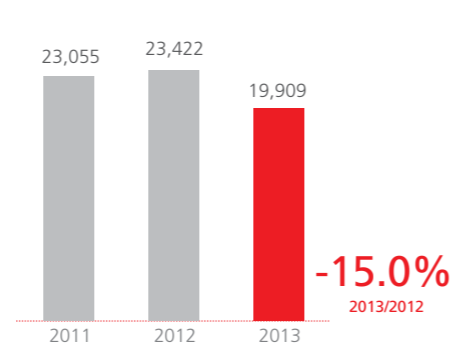
■ TOTAL DIVIDEND PAYOUT
(Million euros)



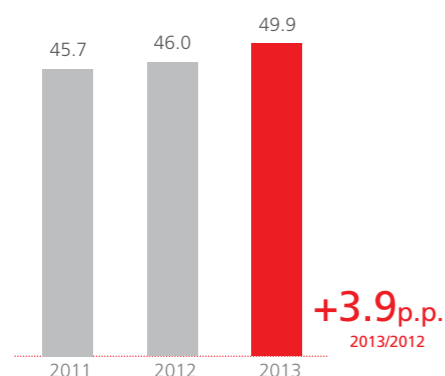
■ GROSS INCOME
(Million euros)



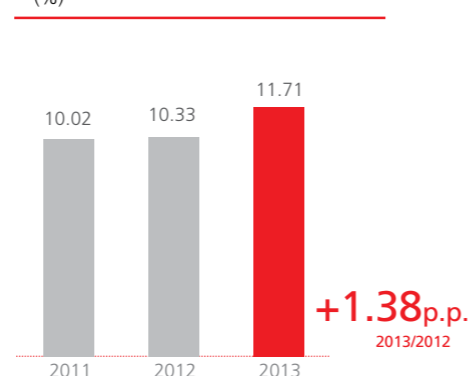
■ PRE-PROVISION PROFIT
(NET OPERATING INCOME)
(Million euros)



■ EFFICIENCY
(%)



■ CORE CAPITAL
(BIS II criteria)
(%)



■ BALANCE SHEET AND INCOME STATEMENT (IN MILLION EUROS)

	2013	2012	% 2013/2012	2011
Total assets	1,115,637	1,269,598	(12.1)	1,251,008
Customer loans (net)	668,856	719,112	(7.0)	748,541
Customer deposits	607,836	626,639	(3.0)	632,533
Managed customer funds	924,621	968,987	(4.6)	984,353
Shareholders' funds	84,269	80,921	4.1	80,379
Total managed funds	1,240,806	1,387,740	(10.6)	1,382,464
Net Interest Income ²	25,935	29,923	(13.3)	28,883
Gross Income ²	39,753	43,406	(8.4)	42,466
Pre-provision Profit (net operating income) ²	19,909	23,422	(15.0)	23,055
Profit from continuing operations	5,539	2,993	85.1	6,103
Attributable profit ²	4,370	2,295	90.5	5,330

■ RATIOS (%)

	2013	2012	2011
Efficiency with amortization	49.9%	46.0%	45.7%
ROE	5.42%	2.91%	7.12%
ROTE	7.73%	4.28%	10.77%
ROA	0.44%	0.25%	0.50%
RoRWA	1.01%	0.56%	1.05%
Core capital (BIS II)	11.71%	10.33%	10.02%
Loan-to-deposit ratio ³	109%	113%	117%
NPL ratio	5.64%	4.54%	3.90%
NPL coverage	61.7%	72.4%	61.0%

■ SHARES AND CAPITALIZATION

	2013	2012	% 2013/2012	2011
Number of shares outstanding (million)	11,333	10,321	9.8	8,909
Share price (euros)	6,506	6,100	6.7	5,870
Market capitalization (million euros)	73,735	62,959	17.1	50,290
Shareholders' funds per share (euros)	7.44	7.88	8.59	8.59
Share price/shareholders' funds per share (x)	0.88	0.77	0.68	0.68
PER (share price/attributable profit per share) (x)	16.13	25.96	9.79	9.79
Diluted EPS (euros)	0.40	0.23	71.7	0.60
Remuneration per share (euro)	0.60	0.60	0.60	0.60
Total shareholder remuneration (million euros)	6,775	6,128	10.6	5,260

■ OTHER FIGURES

	2013	2012	% 2013/2012	2011
Number of shareholders	3,299,026	3,296,270	0.1	3,293,537
Number of employees	182,958	186,763	(2.0)	189,766
Number of branches	13,927	14,392	(3.2)	14,756

■ INFORMATION ON ORDINARY PROFIT⁽⁴⁾

	2013	2012	% 2013/2012	2011
Attributable profit to the Group ⁽⁵⁾	4,370	5,341	(18.2)	7,000
Attributable profit per share (euros)	0.40	0.55	(26.3)	0.79
ROE	5.42	6.78	9.35	9.35
ROTE	7.73	9.97	14.14	14.14
ROA	0.44	0.48	0.63	0.63
RoRWA	1.01	1.10	1.34	1.34
PER (share price/attributable profit per share) (times)	16.13	11.15	7.46	7.46

(1) In 2013, estimated scrip dividend for May 2014.

(2) Variations excluding the impact of exchange rates: Net Interest income -7.0%; gross income -2.2%; pre-provision profit -8.4%; attributed profit +136.8%.

(3) Includes retail commercial papers.

(4) Excludes net capital gains and provisions.

(5) Variation excluding exchange rate differences: -10.7%.

STRATEGY AND INVESTMENTS

A **1.8**
PERCENTAGE POINT REDUCTION
IN NPL RATIO



COMBINED ACCOUNTS FOR
6 CLIENT PROFILES

A BANK FOR ITS CLIENTS

There is no recurring, profitable and sustainable growth without happy clients.

The most important assets of commercial banks, such as Santander Brazil, is the relationship with its clients. The best way to achieve a recurrent, profitable and sustainable growth in our environment is to earn client satisfaction while increasing their loyalty towards the Bank in exchange of better services. Santander Brazil's strategy stems from this vision and is supported by 4 pillars: Client satisfaction, Management, Efficiency and Capital.

Client Satisfaction

The best way to attract clients is by promoting a mix of agile, efficient services, segmentation and a value-added offer that meets the needs of each profile, and a multichannel platform that allows different ways to interact with the Bank. With the financial industry and consumer relationships undergoing significant transformations, customized offers are important to each client profile, while respecting their individual needs and giving them freedom to choose their preferred channel to interact with the Bank.

This was the assumption that drove two among the main deliveries in 2013 in the Individual segment. In February the Bank launched *Contas Combinadas*, a package that integrates checking account and card services, designed to meet specific needs of the six major client profiles, identified via market research conducted during more than one year.

Upon the study of the needs for each group, the Bank prepared four packages with benefits such as exemption of charges, reductions in fees and flexibility in payment dates, provided that the client meets minimum loyalty requirements as defined in each *Conta Combinada*⁽¹⁾.

Two months after the launch, the Bank completed the Individual segmentation by inaugurating Santander Select, a high-income segment, positioned between Private Bank (worth above R\$3 million) and Personal Banking (represented by Van Gogh, for clients with an income in excess of R\$4 thousand per month). The category provides exclusive products and customized consultancy for equity management, plus a network of dedicated branches. Last year alone 61 branches were opened.

In the Corporate segment, the Bank consolidated its unique model. For Small Enterprises, Santander is the only bank with an *Atendimento Unificado* (Unified Attendance) offer, with one single relationship manager servicing both the firm and its members; in Medium Enterprises, the Bank increased to 73 from 64 the number of *Núcleos* (Core Units), which are regional units dedicated to serve and provide support to clients in this segment; and for larger firms, we rely on two structures: Corporate and Global Banking & Markets (GB&M), with customized services that meet the firm needs (learn more on Business Performance).

Management

The new reality of the financial industry, with spread compression and a slowdown in loan growth required an adjustment in the Bank's strategy, which resulted in the implementation of a new business focus, based on the improvement of the credit portfolio quality and increased client loyalty, operating efficiency and productivity.

As for credit, the strategic products and segments for Santander Brazil are those with the greatest potential for building loyalty, growth and a lower risk profile, among which the Bank highlights Mortgages, Vehicle Financing, SMEs, Cards and Acquiring.

Last year the scenario favored a more steep growth for collateralized products, with a lower risk, versus revolving credit such as credit card and overdraft facility. This changed the Bank asset portfolio and lowered its risk profile. If on the one hand the change brings about some pressure on net interest income, on the other it allows a strong dip in NPL ratio and credit provisions, which leads to a more sustainable growth in the end.

As a result of an improvement in the quality of the loan portfolio, NPL ratio has fallen sharply in 2013.

Throughout the year, the NPL ratio (over 90 days) fell by 1.8pp, to 3.7%. With the fall in NPL ratio and a jump in loan recovery, the reduction of doubtful accounts in the period recorded an 11.4% improvement while decreasing the cost of credit and favoring healthy, efficient growth.

Efficiency

Operational efficiency is important both from the client's viewpoint, who expects quick, efficient services, and the financial viewpoint, under the assumption of a favorable relationship between revenues and expenses. In Santander's vision, the best way to cater to both factors is by delivering to the client a bank that's easy to use while meeting client needs quick and easy, and to employees a workplace that's easy to operate with potential for gains in commercial productivity.

In 2013 Santander Brazil dealt with this issue by streamlining processes while investing massively in systems, digital platforms and in training, in addition to a strict control of costs, with growth rates below inflation. Among the main achievements are the completion of a new Data Center, located in Campinas (São Paulo), which raises the Bank's technology bar (see more details in Intangible Assets); approximately R\$ 108 million⁽²⁾ in T&D; and in costs, which grew by half the inflation rate only.

(1) To learn more on individual conditions offered, please visit <http://tinyurl.com/reannual1>.

(2) The item Training & Development recorded the amount of R\$ 140 million in the financial statements, as it also includes recruitment costs. The financial statements can be viewed at www.santander.com/ir, in the Financial Information section, at Results Center.

Capital

One of the pillars of our business global model is capital discipline. In addition to providing strength to the Bank's operations and security to its clients, it allows Santander Brazil to face any regulatory changes easily while taking advantages of growth opportunities, whether organically or through acquisitions.

In 2013, Santander Brazil announced a comprehensive capital optimization effort, sustained by two pillars: adding efficiency to its capital structure and preserving Santander's strength. To that effect, the Bank adopted an innovative solution in order to improve its leverage while compensating its shareholders without reducing the regulatory capital.

Under this effort, completed in January 2014, the Bank returned cash to shareholders for the amount of R\$ 6 billion while issuing securities for the same amount in foreign countries exclusively allocated to shareholders. Thus, the Bank swapped higher cost capital (shares) for lower cost capital (debt). As a debt instrument chosen for borrowing purposes in the market is deemed to be regulatory capital, the Bank's capital level did not change and it remained as the largest bank in the country among retail banks.

Sustainability at the core of strategy **G4-2**

Santander's positioning in sustainability, as approved by both the Executive Committee and the Board of Directors, is based on three main pillars, which are key for the country's development agenda: Social and Financial Inclusion, Education and Sustainable Business. Sustained by these three pillars, the Bank integrates sustainability in business in virtually all of its operations, from the smallest project to the largest investments.

The Social and Financial inclusion pillar includes programs such as the microcredit operation, focused on micro entrepreneurs with no access to traditional credit channels. In this segment, the Bank is the undisputed leader among private sector banks.

The second pillar is based on the various education programs provided by the Bank. Among them is the largest corporate program that provides support to university students in Brazil, represented by Santander Universities; the program includes partnerships with 450 colleges and universities and awarded more than 37,000 scholarships in 2013 only.

In Sustainable Business, the strategy includes business opportunities in virtually every segment in which the Bank operates. A number of opportunities have arisen out of the

need for firms and individuals to adapt to a more sustainable operating model and the risks generated by climate changes and new trends. To that effect the Bank is also pioneers and leaders, i.e.:

- The first bank to develop an investment fund that includes the Principles for Responsible Investment (PRI), an initiative by the UN to promote Sustainability in financial markets;
- The only financial institution in the country to invest in renewable energy projects using own funds;
- The first structure in place to assess Social and Environmental Risk not only for project financing but for credit approval and the acceptance of new clients in Wholesale as well. This topic is also part of the supplier approval process.

Investment

In 2013 Santander Brazil structured the acquisition of the GetNet operations. The Bank announced its plans to purchase the firm in July and hopes to complete the transaction in the first semester of 2014. GetNet had been the Bank's partner since 2010, and operated as the technology arm in acquiring

operations (capturing and processing transactions via credit/debit cards with POS terminals).

Operating in this segment is strategic for two main reasons: the credit/debit card market is one of the top growth markets in the country and the capturing of e-transactions has an enormous synergy with commercial bank services for SMEs. By integrating these two activities, the Bank can approve corporate loans in a more assertive manner, with an in-depth knowledge of the client's cash flow. Therefore, the acquisition is set to strengthen both the Bank's position and objectives in a profitable way.

Another relevant transaction involved third party asset management, an activity hitherto developed in Brazil by Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A. In a global transaction, Santander executed an agreement with global leaders in the area of Private Equity, Warburg Pincus and General Atlantic. Together, the firms now hold 50% interest in a holding company that integrated 11 fund managers with offices in Europe and Latin America, including the Brazilian subsidiary. **G4-13**

This alliance allows Santander Asset Management to improve their competitive edge against the most prestigious global fund managers, with the additional advantage of relying on both the knowledge and experience

in markets in which the Banks operate. The Bank will distribute products for the new manager in countries where operates with a network of branches, while distributing products and services in an international scale, beyond its commercial network. The benefit for the Bank is to increase the range of products and services that offers to its clients.

The newly created firm is poised to reinforce the fund management unit in the institutional investor global market, where there exists potential for growth. The new firm plans to double the funds under its management in five years while participating in the process of consolidation in the sector.

Another Group company that received additional investment was WebMotors, a digital platform that brings together vehicle buyers and sellers. The business received funds for the amount of R\$ 180 million from Australian Carsales, leader in online vehicle classified ads, with operations in both Asia and Oceania. **G4-13**

The strategic partnership maintains Santander Brazil as a controlling shareholder and its goal is to accelerate the growth of WebMotors while consolidating its leadership in the local market via transfer of technology and growth. In the aftermath of the transaction, Santander's interest is 70% and Carsales is 30%.



- THE STRATEGY OF SANTANDER BRAZIL RELIES ON FOUR PILLARS: CLIENT SATISFACTION, MANAGEMENT AND CAPITAL.
- THE BANK'S POSITIONING FOR SUSTAINABILITY IS BASED ON THREE MAIN PILLARS: SOCIAL AND FINANCIAL INCLUSION, EDUCATION AND SUSTAINABLE BUSINESS.
- THE MAIN STRUCTURED INVESTMENT IN 2013 WAS THE ACQUISITION OF GETNET, A FORMER PARTNER OF THE BANK PROVIDING TECHNOLOGY SOLUTIONS FOR ACQUIRING OPERATIONS.

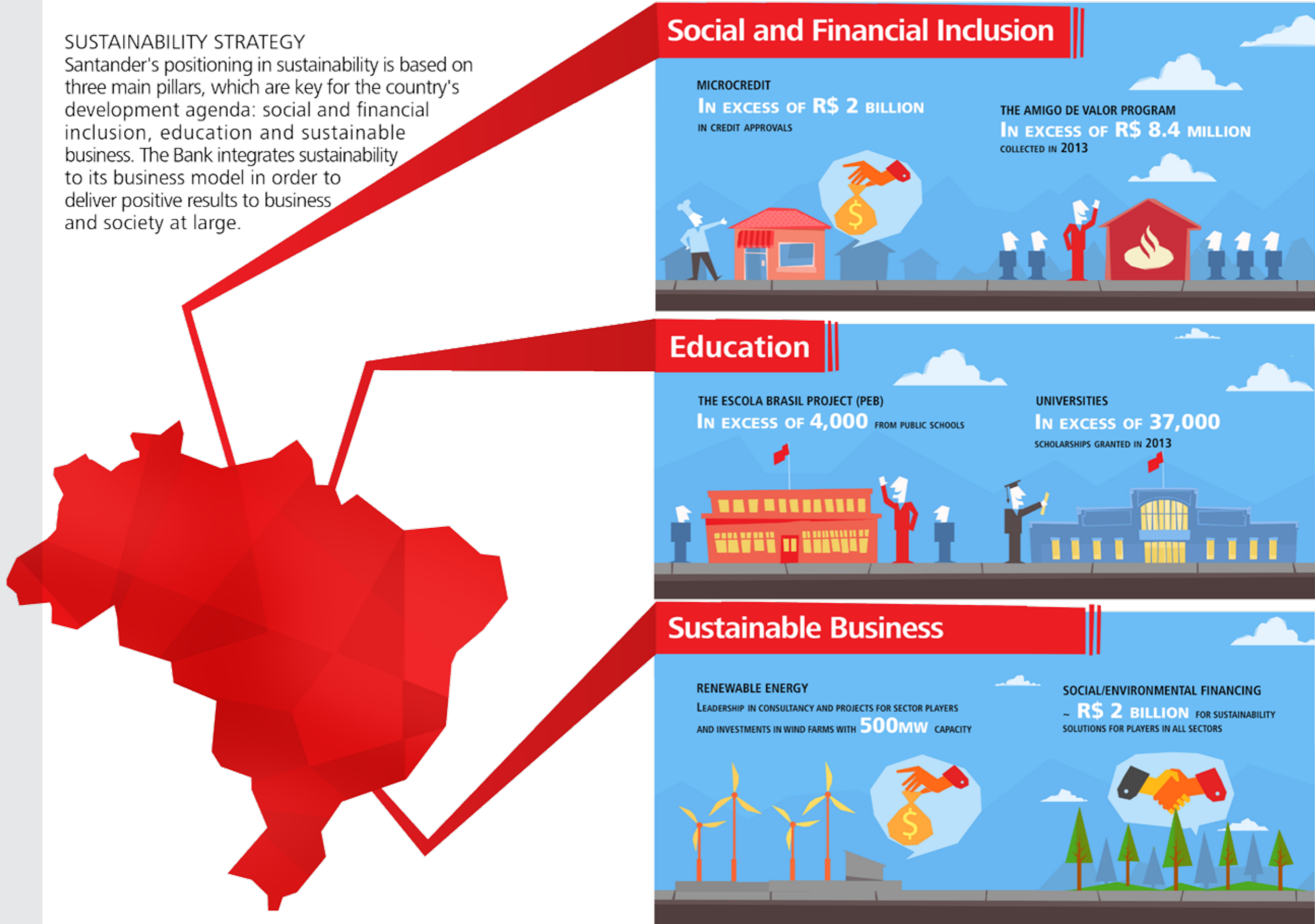
R\$ **108** MILLION
WAS INVESTED IN TRAINING AND
DEVELOPMENT IN SEARCH OF
PRODUCTIVITY AND EFFICIENCY

SUSTAINABILITY STRATEGY

SUSTAINABILITY STRATEGY

Santander's positioning in sustainability is based on three main pillars, which are key for the country's development agenda: social and financial inclusion, education and sustainable business. The Bank integrates sustainability to its business model in order to deliver positive results to business and society at large.

A LEADER AND PIONEER IN KEY TOPICS FOR THE COUNTRY DEVELOPMENT AGENDA



CORPORATE GOVERNANCE

5 COMMITTEES
UNDER THE BOARD OF DIRECTORS

STRONG GOVERNANCE

Good governance practices are key to ensure both smooth operations and business survival in the long run.

As a global company, the adherence to good business practices in Corporate Governance is key to ensure smooth operations and business survival in the long run, while catering to shareholder needs.

This is the reason why Santander Brazil abides by a set of legal and voluntary practices recognized as benchmarks by the market. Among them are the recommendations issued by the *Instituto Brasileiro de Governança Corporativa* (IBGC) and the Level 2 requirements on BM&FBOVESPA⁽¹⁾.

As an example, the Bank provides 100% tag along rights to minority shareholders; the positions of CEO and Chairman cannot be held simultaneously by the same person; the Bank appointed three Independent Directors who currently represent 37.5% of the members in the Board of Directors; the Board of Directors is requested to provide their opinion on material topics; and has in place four Committees reporting to the Board of Directors. **G4-39 G4-41**

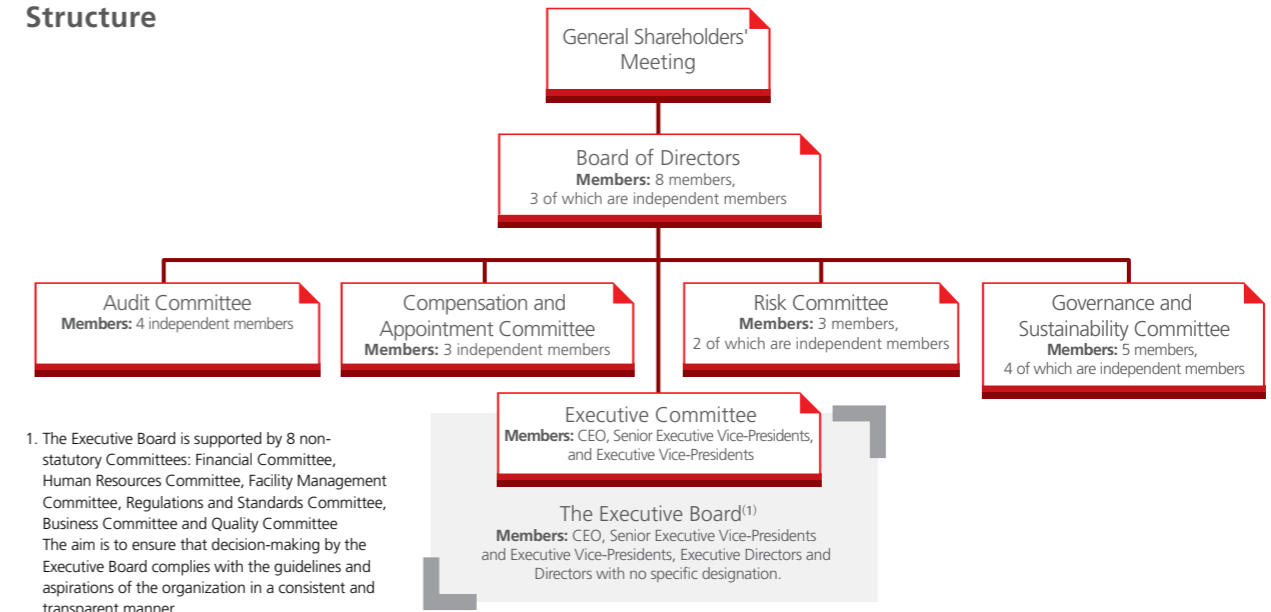
The Bank's Corporate Governance structure relies on two main bodies: the Board of Directors and the Executive Board. The first is the main decision making body of the Bank and represents the shareholders; it is responsible for both

⁽¹⁾ Recommendations by the Instituto Brasileiro de Governança Corporativa (IBGC) and protocols Level 2 issued by BM&FBOVESPA available on: <http://tinyurl.com/reannual2>.

directing and supervising the performance of the Executive Board which, in turn, is in charge of managing the Bank activities. These bodies are in charge of approving and/or updating the Organizational Principles such as Mission; it also defines strategies, policies and goals in economic, social and environmental topics. **G4-42 G4-45 G4-46**

Corporate Governance / Santander Brazil

Structure



THE ORIGIN OF GOOD GOVERNANCE

Conceptually, Corporate Governance was created to overcome potential "agency conflicts" between a firm's ownership and management. Under the circumstances the owners (shareholders) delegates the power to make decisions involving owners' assets to specialists (officers). However, management interests are not always aligned with the interests of ownership, which may result in agency conflicts or agent-principal conflicts.

Corporate Governance created an efficient set of mechanisms, comprising incentives and monitoring, in order to ensure that officer behavior is at all times aligned with shareholder interest.

The good corporate governance provides owners (shareholders or members) with a strategic management for the firm while monitoring the behavior of the firm's officers. The main tools that ensure ownership control of management are the Board of Directors, the Independent Accountants and the Fiscal Council.

The firms that embrace good Corporate Governance practices rely on transparency, accountability, and corporate fairness and responsibility. To that effect, the Board of Directors is required to perform its role by setting out strategies, electing and removing the CEO, supervising management performance and hiring independent accountants.

The absence of competent board members and good Corporate Governance systems has led firms to failure in connection with an unlawful overreach (by controlling shareholders against minority shareholders, by the Board of Directors against shareholders and by officers against third parties); strategic errors (as a result of concentration of power on the CEO); and frauds (the use of insider information to benefit oneself and conflicts of interest).



Executive vice-president Carlos Galán during a presentation to shareholders

100 %
TAG ALONG RIGHTS TO
MINORITY SHAREHOLDERS



From left to right: José Antonio Álvarez Álvarez, Conrado Engel, Marília Artimonte Rocca, Celso Clemente Giacometti, Jesús María Zabalza Lotina, Viviane Senna Lalli, José de Paiva Ferreira and José Manuel Tejón Borrajo.

The Board of Directors [G4-34](#)

The Board of Directors is currently comprised by eight members, of which three are independent, in excess of the number recommended by Regulation Level 2 in Corporate Governance; all members are elected at the Shareholders' Meetings, with a two year tenure, re-election permitted.

The election of Board Members takes into account legal requirements and Bylaws provisions, including the Brazilian Central Bank regulations, the choice of individuals who are aligned with the Bank's values, working within the law and ethics, and committed with the social and environmental sustainability practices. [G4-40](#)

In tandem with good Corporate Governance practices, an evaluation of the Board of Directors, including the CEO, the Directors and the Committees, is conducted on a yearly basis, using criteria previously set, with the support of consultants. [G4-44](#)

THE KEY GUIDELINES FOR THE BOARD OF DIRECTORS

The main guidelines for the Board of Directors are:

- Define strategy, review any topics that are relevant for the Company while supervising management;
- Promote long-term prosperity;
- Make every effort to ensure that the principles of Santander are both respected and disseminated;
- Abide by the provisions of the Bank's Code of Ethics;
- Evaluate management performance and determine the CEO compensation;
- Evaluate situations that may result in reviewing the Bank's business that may generate economic, environmental and social impacts, under a risk/opportunity viewpoint; [G4-45](#) [G4-46](#)
- Evaluate risk management efficiency in economic, social and environmental themes. [G4-45](#) [G4-46](#)

With the objective of both improving and updating the knowledge of the Board of Director members, topics in connection with economic trends, global and local social and environmental situation are brought to meetings by the Bank's officers or external consultants. These meetings include discussions on the risks that the Bank's business may run and the opportunities in connection with the same issues. [G4-43](#) [G4-45](#) [G4-46](#)

The Board holds a monthly meeting according to the dates included in the Bank's Event Calendar, available at www.santander.com.br/ir [G4-38](#) [G4-42](#)

As of December 31, 2013, the Board of Directors was comprised by:

Name	Position
Celso Clemente Giacometti	Chairman and independent Board Member
Jesús Zabalza	Vice-President and Board Member
Conrado Engel	Board Member
José Antonio Álvarez Álvarez	Board Member
José Manuel Tejón Borrajo	Board Member
José de Paiva Ferreira	Board Member
Marília Artimonte Rocca	Independent Board Member
Viviane Senna Lalli	Independent Board Member

For additional information on Board Members such as competencies, tenure, functions in other organizations, please visit www.santander.com.br/ir, in the Corporate Governance section, at Management. [G4-38](#)

Advisory Committees⁽¹⁾ – The Board of Directors relies on the support of four committees, everyone with its own Code of Regulations: The Compensation and Appointment Committee (which takes care of the election, compensation and succession of officers); the Audit Committee (which oversees the compliance with laws and regulations by the Bank); the Corporate Governance and Sustainability Committee (which reviews the company actions in social, environmental and Governance topics, and the economic reflections thereof on business); the Risk Committee (which both validates and ensures the effectiveness of exposure limits to individual risks such as market, credit, operations, liquidity, to name a few. [G4-35](#) [G4-40](#)

Through the Advisory Committees, on topics that are deemed to be critical for the Bank, such as circumstances that may have an impact on the economic, environmental and social performance of the Organization are brought before the Board of Directors for review and action plans. [G4-49](#)

The selection of committee members takes into consideration the same requirements for the Board of Directors members. Diversity of opinion is also sought, with the participation of specialists with wide experience in their respective areas. As of December 31, 2013, these committees were comprised by:

Audit Committee⁽²⁾:

Name	Position
René Luiz Grande	Coordinator and Independent Member
Celso Clemente Giacometti	Independent Member
Elidie Palma Bifano	Independent Member
Taiki Hirashima	Independent Member and Technical Head

Compensation and Appointment Committee⁽²⁾: [G4-52](#)

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

Corporate Governance and Sustainable Committee:

Name	Position
Celso Clemente Giacometti	Coordinator and Independent Member
Gilberto Mifano	Independent Member
José Luciano Duarte Penido	Independent Member
Marília Artimonte Rocca	Independent Member
Maria Luiza Pinto e Paiva	Member

Risk Committee:

Name	Position
Celso Clemente Giacometti	Coordinator and Independent Member
René Luiz Grande	Independent Member
Conrado Engel	Member



From left to right: João Guilherme de Andrade So Consiglio, Ignacio Dominguez-Adame, Carlos Alberto López Galán, Marco Antônio Martins de Araújo Filho, Conrado Engel, Jesús María Zabalza Lotina, José de Paiva Ferreira, Juan Moreno, Pedro Carlos Araújo Coutinho, Oscar Rodriguez Herrero, Carlos Rey de Vicente, Manoel Marcos Madureira and José Alberto Zamorano.

The Executive Board

The Executive Board is comprised by a minimum of two and a maximum of 75 members elected by the Board of Directors, with a two-year tenure, re-election permitted. As with the other officers who comprise the Board of Directors and the other Committees, the members of the Executive Board must be aligned with the Bank's values, working within the law and ethics, and committed with sustainable practices.

The Executive Board relies on an Executive Committee comprised by the CEO and Vice-Presidents with the support of eight non-statutory committees comprised by officers from different areas of Santander Brazil. [G4-38](#)

As of December 31, 2013, the Executive Committee is comprised by:

Name	Position
Jesús María Zabalza Lotina	CEO
Conrado Engel	Senior Executive Vice-President
José de Paiva Ferreira	Senior Executive Vice-President
Carlos Rey de Vicente	Executive Vice-President
Carlos Alberto López Galán	Executive Vice-President
Ignacio Dominguez-Adame Bozzano	Executive Vice-President
João Guilherme de Andrade So Consiglio	Executive Vice-President
Manoel Marcos Madureira	Executive Vice-President
Marco Antônio Martins de Araújo Filho	Executive Vice-President
Oscar Rodriguez Herrero	Executive Vice-President
Pedro Paulo Longuini	Executive Vice-President
Pedro Carlos Araújo Coutinho	Executive Vice-President

Non-statutory Committees

- **The Financial Committee:** Controls, reviews and approves the policies and guidelines in connection with capital management and structural risks of the balance sheet.
- **The Human Resources Committee:** Discusses and approves strategic matters in relation to Human Resources in the medium and long term, and approves issues associated with the organizational culture.
- **The Facility Management Committee:** This committee follows up and approves the Bank's systems plans and the investment portfolio in technology, including operational risk indicators and budgets.
- **The Regulations and Standards Committee:** This Committee reviews the new laws and standards, including self-regulating bodies and internal and external policies.
- **The Wholesale Business Committee:** This Committee analyzes and deals with issues in connection with business and conducts a regular review of the Company's business and strategic positioning.
- **The Quality Committee:** Establishes client satisfaction targets, validates quality indicators and plans, and the outcomes of client satisfaction surveys.
- **Risk Committee:** This Committee reviews and approves credit and market risk policies, including strategies to minimize potential impacts, NPL indicators, cost of credit and NPL provisions.
- **The Disclosure Committee:** Provides advice to the Bank on how to disclose material facts, notices to shareholders, resolutions by the Board of Directors, etc.

The Governance of Sustainability

The Governance of Sustainability follows the guidelines of the Santander's Global Committee for Sustainability, chaired by the Group's CEO and involving all business areas. The function of the Global Committee is to define the sustainability strategy; manage the strategic aspects of policies; and to drive actions such as market making and social/environmental awareness. [G4-34](#)

Locally, the sustainability strategy guidelines are discussed on the highest decision making instances of Santander Brazil. The Governance structure for Sustainability relies on the Governance and Sustainability Committee and the Vice-Presidency of Communication, Marketing, Institutional Relations and Sustainability, reporting to the CEO and, as needed to the Executive Committee and the Board of Directors.

This Vice-Presidency includes the Sustainability Department, which supports other areas for the advancement of the topic in terms of practices, in addition to designing and submitting strategies. [G4-34](#) [G4-36](#)

The Executive Committee is supported by eight non-statutory committees, comprised by officers from other areas in the Bank

The Corporate Governance and Sustainability Committee

The Corporate Governance and Sustainability Committee is led by the Chairman of the Board of Directors and is comprised by more than four members, of which three are independent; it provides advice to the Board of Directors in topics in connection to Corporate Governance and Sustainability. The Committee contributes to the definition of sustainability strategies to be implemented by executive areas in order to ensure that the topic is made integral part of the business; it also refers to the Board of Directors, with a recommendation, economic and social/environmental issues to be decided upon by the Board. [G4-34](#) [G4-35](#) [G4-38](#)

In 2013 the Committee submitted a proposal to the Board of Directors concerning the review of the strategic positioning in sustainability in the long run, in line with the new demands of the society and with the Bank's business strategy going forward. This project is expected to be completed in 2014.

The topic is also discussed by the Executive Committee, which is in charge of ensuring the alignment with the strategic guidelines, and the approval of the sustainability initiatives in the organization. In 2013, the topics to be dealt with were agreed upon according to the needs of each initiative. Additionally, the project details were discussed with the respective vice-presidents in charge of each area.

In 2013, the Bank sponsored a meeting with the Strategic Sustainability Forum, comprised by the CEO of Santander Brazil, five external members with high visibility on the theme plus three Bank officers. The Forum supports the Bank's governance in sustainability through an outsider's viewpoint on the Bank's sustainability strategy. [G4-38](#)

Shareholder and Investor Relations

The Shareholders' Meetings are the main mechanism for shareholder/investor involvement in the Bank's decision making. In 2013 five Meetings were held with minutes that state the topics that were discussed; the minutes are available at www.santander.com.br/ir in the Corporate Governance section.

DIVIDENDS PAYABLE AND INTEREST ON EQUITY

The total of dividends and interest on equity reported in 2013 amounted to R\$ 2.4 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\$ per thousand of shares/units)	
Common Shares	5,7685
Preferred Shares	6,3454
Units	634,5422

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

Annualized yield	
Common Shares	2.74%
Preferred Shares	3.05%
Units	3.03%

Main resolutions in Shareholders' Meetings

The Special Shareholders' Meeting held on September 15, 2013

→ Approved the grant of the 2012 Bonus Deferment Plans.

The Annual and Special Shareholders' Meetings held on April 29, 2013

→ The management accounts were approved, including the financial statements for the year ended on December 31, 2012, the use of the company's net income for the year and dividend payout. The Meeting elected members of the Board of Directors for a new tenure, and decided on the global compensation for officers and members of the Audit Committee.

The Special Shareholders' Meeting Held on October 3, 2013

→ The Meeting approved (a) the election of Mr. Marcial Angel Portela Alvarez as Chairman of the Board and (b) Mr. Celso Clemente Giacometti as Vice-President of the Board of Directors; and (c) Mr. Jesús Maria Zabalza Lotina as a member of the Board of Directors; and approved the grant of the 2013 Bonus Deferment Plans.

The Special Shareholders' Meeting Held on July 3, 2013

→ An offer was submitted for preemptive rights in the acquisition of shares of the capital of Zurich Santander Brasil Seguros e Previdência S.A.; and approved the performance by Banco Santander, of transactions with call options for units issued by the Bank.

The Special Shareholders' Meeting Held on November 1, 2013

→ The Meeting approved the reduction in the Bank's capital by R\$ 6 billion, from R\$ 62.828 billion to R\$ 56.828 billion, without a reduction in the number of shares.

→ The Meeting also approved an amendment to item XIII of Article 17 of the Bylaws, in such a way as to delegate to the Board of Directors the power to resolve on issuances within the authorized limit for the capital, including credit notes and any other instruments convertible into shares; and

→ The Meeting approved (a) the election of Mr. Celso Clemente Giacometti as the Chairman of the Board of Directors; and (b) the election of Mr. Jesús Maria Zabalza Lotina as the Vice-President of the Board of Directors.

Service to Shareholders And Investors

Santander has a differentiated shareholder and investor service model in all countries where it has shares listed on the Stock Exchange. Individuals and non-financial companies are served by the



A shareholder handles an informational brochure during the APIMEC meeting

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 Shareholder Relations area provides several exclusive channels for individuals and non-financial corporate shareholders, including the most important channel - the Shareholder Portal (www.santander.com.br/acionistas). On the Shareholder Portal, shareholders and other stakeholders may access 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. The in-house team may also be contacted via the e-mail at acionistas@santander.com.br or by telephone 0800 286 848.

This area is also responsible for organizing public meetings at the Association of Capital Market Investment Professionals and Analysts (APIMEC) in several states of the country. The goal at these meetings is to submit, especially to shareholders, information on quarterly results, in addition to the Bank's model and positioning in the market, corporate governance, and the sustainability initiatives. Public companies are required to hold a public meeting once a year. In 2013, the Bank promoted six meetings. Over 1,000 people among shareholders and other stakeholders took part in the events and initiatives by the Shareholder Relations area.

In turn, the Investor Relations area offers customized services to both Brazilian and foreign institutional investors, and to market analysts and professionals. The Investor Relations website provides regular information disclosed to the market and filed with 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. [G4-37](#)

Product Governance

In order to ensure that any prohibited products and services are not offered to stakeholders, the Bank adopted certain level of governance in charge of the approval, sale and monitoring of products and services.

The objective is that products and services are not sold before their overall characteristics, risks, controls, legal feasibility and operational, accounting, technological procedures, to name a few, are identified and assessed by all relevant technical areas. This assessment is double-edged: the impacts for the Bank and the impacts for the client.

As applicable, the Corporate Commercialization Committee (based in Spain) is involved in the assessment and approval of products. According to the corporate policy, upon approval, the sale of products continues to be monitored.

The Bank also follows internal and external guidelines to ensure that prohibited products and services are not made available to clients.

Internally, the drivers are the Code of Ethics, the Commercialization Policy for Products and Services while monitoring product sale, under the approved business rules. In the external environment, the drivers are the Bank-Self-Regulatory Code (issued by FEBRABAN), the Anbima codes and other standards issued by regulatory agencies (Central Bank, CVM, SUSEP). [G4-PR6](#)

Policies and codes

In order to guide the activities of Santander's employees, the Bank has policies and codes in place that contribute to add transparency to processes while strengthening Corporate Governance practices.

Some of these documents are:

Disclosure of Material Facts Policy: This policy provides guidelines on how to disclose the Bank's material facts, including the confidentiality around such information.

Insider Trading Policy: This policy deals with procedures to be observed by the Bank and related persons when trading in the Bank's securities:

Policy for Transactions with Related Parties:

The purpose of this policy is establishing rules that ensure all decisions, particularly those involving related parties and conflict of interests, are made in the best interests of the Bank and its shareholders. It defines who are the Bank's related parties, any situations involving conflict of interest, agreements with related parties and the procedures to be observed by managers involved in transactions with related parties or any other potential conflicts of interest. It also provides that in case a situation involving conflict of interest is detected a notice will be issued to the parties. [G4-41](#)

IN 2013 THE BANK HOSTED SIX APIMEC MEETINGS. OVER 1,000 PEOPLE AMONG SHAREHOLDERS AND OTHER STAKEHOLDERS TOOK PART IN THE EVENTS AND INITIATIVES OF THE SHAREHOLDER RELATIONS AREA

Code of Ethics: applicable to all officers, employees and interns as integral part of the employment contract; it provided guidelines for employee behavior, responsibilities and liability, and conduct. It guides the relationship with clients, suppliers, government agencies, partners and the media. It relates to other documents such the global manuals on Money-Laundering and Terrorism Financing Prevention. **G4-56**

Any conducts that are in disagreement with the Code can be reported via the available communication channels. Each case is investigated and if the violation is confirmed, specific sanctions range from disciplinary action to termination, including any criminal charges that may be applicable to any such violations. **G4-58**

Code of Conduct in Securities Markets: the document contains general obligations, preventive and corrective actions for potential cases of conflict of interests and how to deal with insider information. This code extends to individuals and legal entities directly associated with employees and managers.

Information Security Policy: includes the basic principles to receive, store and use personal information made available by clients and visitors; provides guidelines to protect information assets and provides support in the resolution of related problems. Every employee is aware of the Privacy Policy⁽¹⁾, available on the Internet. In addition to the security provided on e-channels, the care with client information is a basic item for every employer working for Santander. Since the inception of the Bank's operations, employees are made aware of security topics while attending mandatory courses on the topic.

Information security policies are disclosed in internal communication channels, in classroom seminars and in internal events with the participation of market specialists. **G4-PR8**

The full version of the policies is available at www.santander.com.br/ir, in the Corporate Governance section.

Reporting Channels **G4-58**

The channel receives reports in connection with noncompliance with internal policies or with laws; mismanagement and discrimination of any type; moral and/or sexual harassment; risks to physical integrity; corruption and bribery; the unauthorized use of passwords and confidential/ strategic information; conflict of interest, to name a few, and they are dealt with and resolved internally.

Any cases of higher complexity are reviewed by a workgroup that involves areas such as Compliance, Human Resources, Legal and the Head of Special Occurrences. These cases are monitored until closure and include the application of disciplinary action as the case may be. For any cases deemed to be true, remedial action is adopted including accountability, which may involve from the application of administrative action, job transfer or a transfer to another unit, to termination and/or a civil suit, on a case by case basis. The cases that are deemed to be recurring require special attention until closure.



Anyone can report an episode by visiting www.santander.com.br. The Customer Service Toll Free Number (SAC) and the Ombudsman can expedite this type of report via the number 0800 762.7777 and 0800 726.0322, respectively.

Any Santander employee and intern can manifest itself by Santander Reporting Channel, an internal hotline dedicated to capturing and dealing with any episodes that may be noncompliances with the Code of Ethics, internal standards or the law, ensuring the confidentiality and the correct routing for each circumstance.

For suppliers, Santander Brazil offers a form at www.santander.com.br, on the Suppliers page in the section Contact us⁽¹⁾. **G4-58**

Any reports on violations of human rights, no respect for diversity, corruption and other circumstances involving employees, clients and suppliers are treated and investigated by internal areas such as Human Resources; fraud investigations are carried out by Special Occurrence Office; any misconducts are evaluated by the Compliance area; and money laundering is in charge of the Money Laundering Prevention Unit (UPLD). **G4-HR3**

(1) <http://tinyurl.com/reannual7>.



- SANTANDER BRAZIL ADOPTS LEGAL AND VOLUNTARY PRACTICES OF CORPORATE GOVERNANCE, SUCH AS THE PROHIBITION OF THE SAME PERSON HOLDING SIMULTANEOUSLY THE POSITION OF CEO AND CHAIRMAN OF THE BOARD, AND A BOARD WITH THREE INDEPENDENT MEMBERS.
- IN 2013 THE NEW CEO OF SANTANDER BRAZIL JESÚS MARIA ZABALZA LOTINA TOOK OFFICE.
- AS SUGGESTED BY THE SUSTAINABILITY COMMITTEE, THE BANK WILL CONDUCT A COMPREHENSIVE REVIEW OF ITS STRATEGIC POSITIONING IN THE LONG RUN.

R\$ **2.4** BILLION
WAS THE TOTAL COMPENSATION
RECORDED IN FY2013

(1) For additional information, please visit <http://tinyurl.com/reannual6>

RISK MANAGEMENT

179%

PROVISIONING FOR NPL IN EXCESS OF 90 DAYS



Risk Committee Meeting with participation of the Brazil and Spain teams

PRUDENT RISK MANAGEMENT

Involvement of top management in decision making is a key advantage.

Dealing with uncertainties in the economic environment while assessing the risks associated with each scenario is an integral part of the banking activity both locally and worldwide. Risk management is the security foundation for decision making in the Bank and provides better control over potential losses while making business performance sounder and more sustainable.

Santander Brazil abides by the Santander Model, relying on prudent risk management with the definition of appetite for risk provided by top management. One of the characteristics of the Bank performance in this activity is the direct involvement of top management in decision making, which takes place on a team basis in the Risk Committee, which is independent from the business areas.

The management style adopted by Santander Brazil includes the use of statistical tools such as scoring and internal valuation models (credit scoring, behavior scoring, rating), return on risk-adjusted capital (RORAC), Value at Risk (VaR), economic capital and scenario analysis.

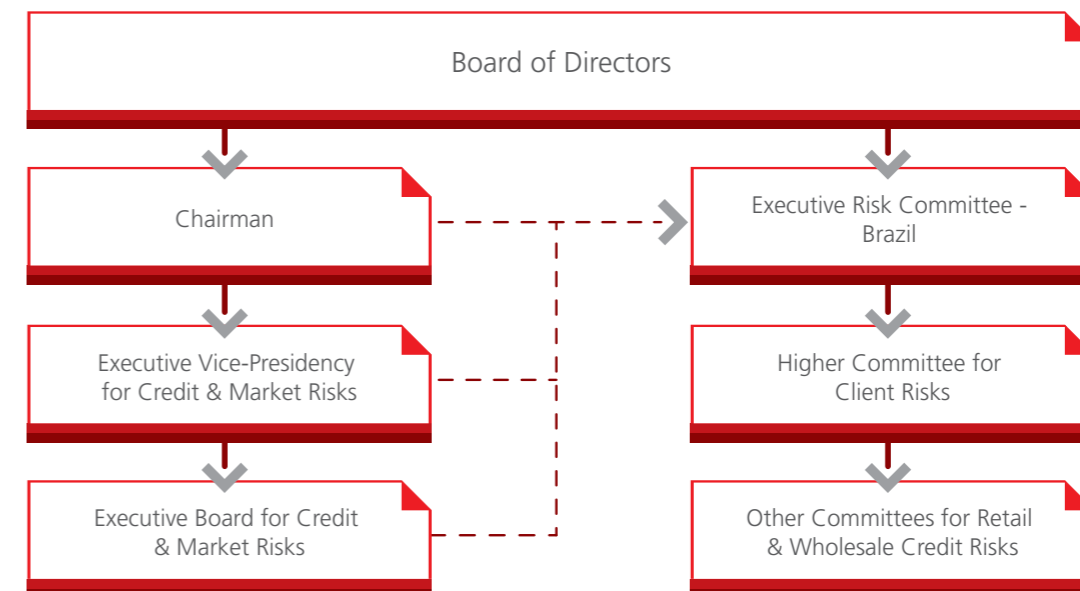
2013 was a year marked by an economic growth below expectation. Important factors such as higher inflation rates and thus the need to increase the benchmark interest rate took a toll on credit markets. Therefore, even with a low unemployment rate, the trend for an increase in household indebtedness persisted, another factor that contributed with credit deceleration.

Under this scenario, credit risk management was one of the main focuses of the year as it demanded the review of credit concession policies, and new follow up procedures and methods to recover loans. As a result the Bank enjoyed a considerable reduction in NPL ratio and a tighter control in loan concession.

THE BANK KEEPS A RISK PROFILE THAT IS CONSISTENT WITH OUR PROFITABILITY, IN SUCH A WAY AS TO OFFSET THE ESTIMATED NPL RATIO, BOTH IN TERMS OF CLIENTS AND PORTFOLIOS

RISK GOVERNANCE

The Risk Management structure is defined according to the corporate standards and meets the requirements of local regulations.



Risk Organization Charts and Authority Structures/Committees. Participation of top management in credit decision making

Risk Policy

The bank operates in accordance with Santander Group's risk culture, while also following the instructions of the Board of Directors, the regulations of the Brazil's Central Bank and the best international practices, in order to protect capital and ensure business profitability.

In our operations, the Bank is mainly exposed to the following risks:

- Credit risk
- Market risk
- Social and environmental risk
- Operational risk
- Compliance risk⁽¹⁾

CREDIT RISK MANAGEMENT IS DONE INDIVIDUALLY IN WHOLESALE, IN A STANDARDIZED MANNER FOR INDIVIDUAL AND FIRMS NOT CLASSIFIED AS INDIVIDUALIZED CLIENTS

1. Credit risk

Credit risk management seeks to ensure the Bank's performance is consistent with the risk appetite level approved in advance by the Executive Committee and Grupo Santander. Supported by exposure analysis and trends and in control/follow up systems, this activity helps define strategies while establishing credit limits for clients. The objective here is to keep a risk profile consistent with profitability in such a way as to offset the estimated NPL ratio. This management is divided into two client segments:

Individualized management: Conducted by a designated risk analyst, who prepares the analyses, forwards them to the Risk Committee, and monitors client progress. It includes clients from the wholesale segment, financial institutions and certain firms;

Standardized management: focused on individuals and firms not classified as individualized clients. The 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 deal with exceptions.

1.1 Rating models

Santander uses its own internal rating models to measure the credit quality of a client or a transaction, which suggest the repayment capacity of borrowers. Each rating is related to the probability of default or non-payment, established using the Bank's past experience. Ratings are used in the approval process and risk monitoring.

The assessment of the different categories of credit operations is carried out in accordance with the analysis of the firm's economic and financial situation and other registered information regularly updated, in addition to the fulfillment of the agreed upon financial obligations.

Client assessments are reviewed on a regular basis and include any new financial information available and the experience developed in the banking relationship. These new assessments are conducted more frequently in the case of clients who have attained certain levels in the automatic warning systems and also in the case of those deemed to require special monitoring.

1.2 Credit loss and cost

Any losses in connection with credit risk are estimated on a monthly basis and eventually are compared with the actual losses in the period. In order to complement the use of the admission and rating models, we use other tools to facilitate prudent and effective credit risk management based on the loss in question.

1.3 The credit risk cycle

Santander holds a global view of credit portfolio throughout the various phases of the risk cycle, with a level of detail sufficient enough to be able to assess current risks and any shifts at any time.

This cycle is made up of three different phases:

- Pre-sale: planning, target setting, risk appetite by the Bank, approval of new products, risk analysis and the credit rating process and limit setting;
- Sale: decision-making for pre-rated, specific transactions;
- Post-sale: risk monitoring, measurement and control, and recovery process management.

1.4 Risk control

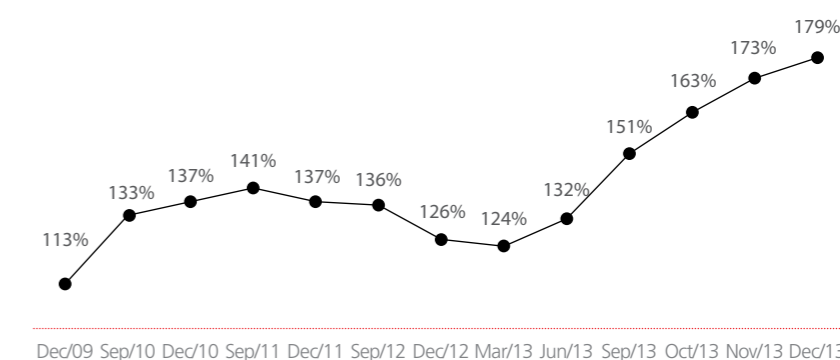
Changes to the Bank's credit risk exposure are controlled in an ongoing and systematic manner. The impacts of these changes in certain future situations, either via internal decisions or external events, are assessed with the aim of establishing measures that place the profile and the amount of the credit portfolio within the parameters set out by the Executive Committee.

1.5 Provisions

Banco Santander provisions are set up in accordance with the current legislation of the Central Bank of Brazil (BACEN), CMN Resolutions 2682/1999 and 2697/2000 and Central Bank Circular Letter 2899/2000, which classifies credit transactions by rating and determines the minimum percentage of provision required.

By the end of 2013, Santander Brazil Coverage Ratio was 179%; this means that for each R\$1.00 of NPL over 90 days, the Bank had R\$1.79 in provision, a level that is deemed to be comfortable.

COVERAGE RATIO OVER 90 DAYS



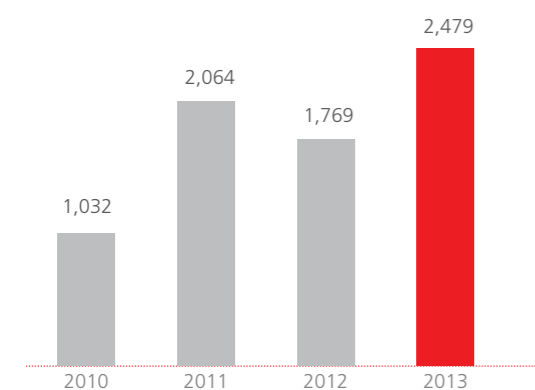
1. See more in Corporate Governance

CREDIT RECOVERY

The activity of credit recovery includes the renegotiation of non-performing loans. As soon as the client is in default, collection is intensified with strategies such as text messages, collection letters and the inclusion of the client's name in the bad credit list. In this phase, several channels are activated in an attempt to recover the client, including the Customer Service.

In case of non-performing loans over 90 days, for low amounts, internal and external teams (contract firms specialized in administrative collection) contact the client directly. In case of higher amounts, the attempts to recover the loan is done via internal specialists or going to Court.

RECOVERY OF CREDITS WRITTEN OFF AS LOSS (R\$ million)



2. Market risk

Santander Brazil market risk management includes practices of measuring and monitoring the use of limits that are pre-set by internal committees, the value at risk of the portfolios, the sensitivities to fluctuating interest rates, the exposure to foreign exchange, and liquidity gaps. This allows for the monitoring of risks that might affect the position of the Bank's portfolios in the various markets where it operates.

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

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

THE BANK PERFORMS PERIODICAL ANALYSES IN ORDER TO CONTROL CREDIT RISK, INCLUDING OTHER MANAGEMENT INITIATIVES IN RISK MANAGEMENT BASED ON ACTUAL LOSSES

Scenario analysis – In addition to historical simulation, Santander uses 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.

THE VAR MODEL

Value at Risk (VaR) is a statistic tool used to simulate and monitor market risks. According to the methodology used by the Bank, VaR is an estimate of the maximum daily loss the Bank would incur in a certain portfolio for 99% of the time, taking into consideration the assumptions and limitations. In addition, it indicates a loss estimate that the Bank would expect to exceed during approximately three days per year.

Santander's VaR methodology should be interpreted in the light of the following limitations:

- the one-day time frame might not fully reflect the market risk of positions that cannot be eliminated or protected by hedging in a day;
- VaR is calculated at the close of business, and trading positions can change substantially during the trading day.

3. Social and Environmental Risk

G4-14 G4-FS1 G4-FS2

Pioneer in Brazil, the Social and Environmental Risk Structure at Santander Brazil was created in 2002. Currently this practice includes the following aspects:

- Analyses of projects under the viewpoint of the Equator Principles (a set of voluntary international standards on Social and Environmental Risks) and other projects that are in tandem with the Bank's social and environmental policy;
- Wholesale credit to firms with limits equal to or greater than R\$1 million, with reassessment performed each 12 months;
- Acceptance and maintenance of Wholesale clients.

LOANS IN EXCESS OF
R\$ 1 MILLION
UNDERGO SOCIAL AND ENVIRONMENTAL RISK ANALYSIS

RISK MANAGEMENT

Our assessment model includes instruments such as collecting social and environmental information via a standard questionnaire; the submission of environmental studies, licenses, authorizations and certifications; and technical visits by specialists. Upon detecting any non-compliances, the Bank works collaboratively so that the firm and/or project remedies the problem by adjusting to laws, covenants and contracts in force.

The exception is any operations with clients involving bonded labor and child labor; using non-certified native wood, without a green stamp (FSC or Cerflor); firms that operate in mining or manufacturing any products containing asbestos; or performing any activities that encourage illegal gambling and prostitution, directly or indirectly. Under any of these circumstances the loan is automatically refused and the firm is excluded from the Santander Brazil client list.

In addition to holding the Bank harmless from financing activities that put in risk either public health or the environment, the social and environmental analysis is an important tool to assess the financial risk of both projects and clients requesting loans. The Bank's experience shows there is a frequent connection between social and environmental problems and financial issues.

This correlation occurs because the non-compliance with social and environmental criteria generates regulatory, compliance and reputational risks which may result in a reduction in cash flow, loss of assets while damaging the firm's reputation. On the other hand, businesses that ensure the well-being of both their employees and the environment they work in tend to have a more efficient management and therefore more chance of honoring their financial commitments and generating good business.

In order to be qualified to work with social and environmental risk, the team participates in 4-hour classroom seminars. The session includes concepts and application of the Social and Environmental Risk Practice for the concession of loans and acceptance of clients. The seminar is held on a quarterly basis for groups of 20 employees, usually credit analysts and relationship managers. In 2013, 34 new employees and 40 active employees participated in social and environmental risk training sessions.

Throughout the year, Santander Brazil was actively involved in discussions on the review of the scope of the Equator Principles to become in force in January 2014. The Bank also discussed *Edital 41* of the Brazilian Central Bank which regulates the topic of social and environmental responsibility in financial institutions.

SOME ACTIVITIES OF THE SOCIAL AND ENVIRONMENTAL RISK DEPARTMENT IN 2013

Client/project sector	Issue addressed*	Progress
Manufacturing industry in the Southeast	A high rate of work-related accidents.	Client has implemented improvements as suggested by the Bank in Safety & Health area. The Bank visited the jobsite to identify environmental liabilities while defining environmental remediation action during the construction phase.
Real Estate Project in the South	Contaminated Land	The team performed a detailed study of environmental liabilities to include in the credit analysis.
A large manufacturing firm in the Southeast	Environmental liability	As part of the analysis for some loans, the Bank verified the documentation of sugarcane suppliers.
Sugar Mills in the Southeast	Social, environmental and legal compliance by sugarcane farmers	
An individual in the Midwest	Bonded labor	The Bank cut off the relationship.

(*) The issues addressed may have to do with the compliance with the Bank's social/environmental risk policy, the Equator Principles, the National Agreement for the Eradication of Bonded Labor or any combination thereof.

Notes:

All information on risk management structure and procedures is filed at Santander and is available to the Central Bank of Brazil and other regulatory agencies. Furthermore, information on Risk Management is disclosed in the quarterly financial statements in line with principles of transparency. For additional information on Risk Management, please visit: Santander/Institucional/Governanca_Corporativa/gerenciamento_de_riscos

4. Operational Risks

Operational risk management is about errors in internal processes and/or systems and by individuals or external events that may cause financial loss and affect business continuity while impacting negatively the Bank stakeholders.

In order to face these risks, Santander Brazil has in place a Control and Management Model for operational risks, which represents a competitive and strategic factor. The Model is applicable to all employees during the performance of their daily activities and supports the alignment with the Grupo Santander guidelines, the Basel Accords and the Brazilian Currency Board (CMN) regulations.

In 2013 the Bank implemented improvements in operational risk management, such as:

- Improved security in electronic channels (ATMs, Customer Service and Internet Banking) while strengthening authenticity validation mechanisms in the transactions effected, which resulted in a drop in losses and client complaints;
- Periodical tests in business continuity in order to ensure the performance of Santander activities under a crisis scenario;
- Improvement of the risk self-assessment in the Organization while increasing transparency and commitment in the culture of managing operational and technological risks.

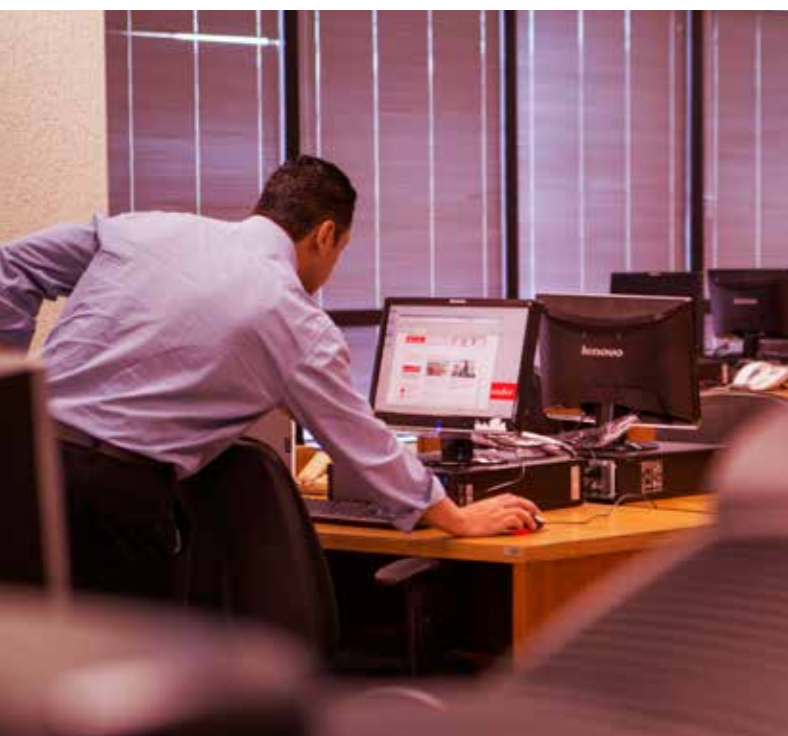
The Operational Risk Structure – The structure is comprised by the Operational Risk Office, which includes areas such as Operational and Technological Risk, Information Security, Intelligence and Prevention of Fraud and Occurrences.

The model adopted by the Bank includes two approaches: qualitative and quantitative.

Qualitative approach: This approach aims at the identification and prevention of operational risk; the definition of the risk profile for areas, processes and products, implement tools and key indicators for qualitative operational risk (KRIs) while strengthening the environment for internal controls.

Quantitative approach: helps detect and capture operational risk events while analyzing, correcting and preventing events. In addition, it provides mechanisms and inputs for the decision-making process.

Thus, the Model for the Operational Risk Control and Management provides an adequate environment for internal controls while supporting mechanisms and tools that help prevent operational errors and losses, thereby ensuring business continuity.



SAS Room (Alternative Site Santander), contingency office used to ensure business continuity.

Improved security in electronic channels (ATMs, Customer Service and Internet Banking) resulted in a drop in losses and client complaints

RISK MANAGEMENT: BY THE BANK, FOR THE BANK ^{G4-2}

Risk management is a two-way street: its purposes are both minimizing risk that external factors may bring to the Bank's business and managing the impacts that the Bank's activity may bring to the society and environment.

The main direct risk generated by the banking activity is inadequate loan concession or use, which may generate over-indebtedness, especially in households. The main indirect risk involves any impacts caused by projects and firms that the Bank may agree to finance.

In order to manage such risks, the Bank adopted a set of legal, voluntary practices such as credit limits considering the income and repayment capacity; financial education practices; and social and environmental risk analysis in financing projects to large sized companies (see more on page 45).

As to financial education, the main line of activity is in the relationship between management and clients. To that effect, the Bank invests strongly in training and development with the participation of 30,000 employees in 2013.

Other initiatives supplemented this effort such as *Santander Responde* (financial education videos on the institutional portal and Youtube and a Q&A platform on Facebook); the *Portal de Sustentabilidade* (videos, brochures and worksheets in financial education); *Caminhos&Escolhas* (a portal that attracts young people who are interested in working in the financial market with online games and courses); and lectures in partner universities and communities served by the microcredit facility.

For additional information on direct environmental impact caused by the Bank activities please read the Environmental Management chapter.



- THE MAIN EXPOSURE RISKS FOR THE BANK ARE: CREDIT RISK, MARKET RISK, SOCIAL AND ENVIRONMENTAL RISK AND OPERATIONAL RISK.
- IN 2013 THE LOAN NPL RATIOS DROPPED EVEN IN A SCENARIO WITH MILD ECONOMIC ACTIVITY AND HIGHER BENCHMARK INTEREST RATES IN THE COUNTRY.
- SANTANDER IS A PIONEER IN THE SOCIAL AND ENVIRONMENTAL RISK AREA IN BRAZIL.

74%

OF THE GOAL FOR SOCIAL AND ENVIRONMENTAL RISK TRAINING PROGRAM WAS ATTAINED

ECONOMIC/FINANCIAL INFORMATION (BR GAAP)

R\$ **5.7** Billion
NET INCOME

SELECTIVE GROWTH

The loan portfolio grew by 7.3% and NPL ratios dropped 1.8pp

Scenario

The economic activity remained at a moderate pace in 2013, with an improvement YoY. The Q4 GDP reported a 1.9% growth YoY and ended the year with a growth of 2.3%, up from 1% in 2012. Household consumption is expected to report a 2.3% growth while investments now project a 6.3% growth. On the supply side, the services sector continues to drive economic growth.

Inflation as measured by the consumer price index (the IPCA) ended 2013 at 5.91%, slightly above the 5.84% recorded at YE2012. Services remain as the #1 source of inflationary pressure, offset by regulated prices. Under the circumstances, the Brazilian Central Bank's Monetary Policy Committee (the *Copom*) ended 2013 with a benchmark interest rate (the Selic) of 10% per annum, another round in the cycle of tight monetary policy that started last April.

The still vulnerable global environment has taken a toll on Brazilian exports, with a slight drop of 0.2% YoY. Imports, in turn, grew 7.4% YoY. As a result, the trade surplus came at USD2.5 billion, a plunge versus the USD19.4 billion recorded last year. Thus, the current account deficit totaled USD81.4 bn while direct foreign investments reached USD64 bn for the same period. USD/BRL exchange rate ended the year at 2.34 after undergoing much volatility due to the changes in the monetary policy by the US. The efforts by the Brazilian Central Bank via the currency swap agreement auctions was instrumental in the control of exchange rate volatility.

The weak pace of economic activity and the tax giveaways took a toll on tax revenues and the government's primary surplus ended 2013 at 1.9% of the GDP, thus contributing for the public debt of 3.28% of the GDP. On the other hand, the net public debt fell by 1.5 p.p. and was 33.8% of GDP by the end of the year. Gross debt fell by 1.7p.p. in the same period to 57.2% of the GDP.

ECONOMIC-FINANCIAL INDICATORS

	2013	2012
Country risk (EMBI)	233	149
Exchange rate (R\$/US\$ end of period)	2,340	2,044
IPCA (in 12 months)	5.91%	5.84%
Selic rate - target (p.a)	10.00%	7.25%
CDI ¹	2.31%	1.69%
Ibovespa index (closing)	51,507	60,952

1. Rate in force during the quarter.

Executive summary

Santander's managerial net profit⁽¹⁾ totaled R\$ 5,744 million in 2013, a decrease of 9.7% compared to the previous year. Total equity came to R\$ 53,446 million at the close of the year, excluding R\$ 9,374 million related to goodwill. Return on average equity (ROAE), adjusted for goodwill, stood at 11.0% for the year as a whole, 2.0 p.p. less than at the end of 2012.

There were two non-recurring events in 2013, which generated revenue of R\$ 1,508 million after taxes, R\$ 1,205 million from the conclusion of the sale of Santander Brasil Asset Management, booked under non-operating income, and R\$ 303 million from the installment program and cash payment of tax and social security debts⁽²⁾, booked under other operating income. These revenues were offset by non-recurring expenses of the same amount⁽³⁾.

General expenses totaled R\$ 16,297 million in 2013, 2.9% (or R\$ 454 million) up on the year before, less than the period inflation. The efficiency ratio stood at 47.5% in the year.

Soundness Indicators: the BIS ratio stood at 19.2% in December 2013, down 1.6 p.p. in 12 months. The coverage ratio (over 90 days) reached 179.4% in December, up by 53.9p.p. in 12 months, due to the better quality of the portfolio.

The total credit portfolio closed the year at R\$ 227,482 million, 7.3% up in 12 months. The foreign currency credit portfolio, which also includes dollar-indexed transactions, was impacted by the devaluation of the Real against the dollar, resulting in an increase in this portfolio. Excluding the exchange variation, the total credit portfolio would have grown by 5.7% in 12 months.

The expanded credit portfolio, which includes other credit risk transactions, acquiring activities and guarantees, came to R\$ 279,812 million, 9.3% up in the annual comparison.

(1) Accounting net profit + 100% reversal of goodwill amortization expenses.
(2) Established by Law 12.865/2013 in Articles 17 and 39 (Refis).
(3) For more details, see page 30: "Non-recurring events in 4Q13".

11.4%
IMPROVEMENT IN THE PROVISIONS
FOR NON-PERFORMING LOANS

R\$ **75.5** Billion
IN INDIVIDUAL LOANS

ECONOMIC/FINANCIAL INFORMATION (BR GAAP)

Loans to individuals closed the year at R\$ 75,522 million, a 5.9% increase in 12 months. The two products that contributed to the increase in this portfolio were the mortgages and credit cards.

The consumer finance portfolio totaled R\$ 37,849 million, 2.8% up in the year.

The SMEs portfolio closed the year at R\$ 33,712 million, 7.6% down in 12 months. The Corporate portfolio came to R\$ 80,400 million in december, up by 19.3% in 12 months, positively impacted by the exchange variation. Excluding this effect, growth would have come to 14.2% in 12 months⁽⁴⁾.

Total funding and assets under management⁴ came to R\$ 388,218 million at year-end, 10.1% more than in 2012.

(4) According to the Anbima criterion.

Managerial analysis of results

MANAGERIAL INCOME STATEMENT¹ (R\$ MILLION)

	2013	2012	Var. 2013x2012
NET INTEREST INCOME	29,827	32,380	-7.9%
Allowance for Loan Losses	(11,720)	(13,223)	-11.4%
NET INTEREST INCOME AFTER LOAN LOSSES	18,107	19,158	-5.5%
Fee and commission income	10,674	9,680	10.3%
General Expenses	(16,297)	(15,842)	2.9%
Personnel Expenses + Profit Sharing	(7,241)	(7,299)	-0.8%
Administrative Expenses ⁽²⁾	(9,055)	(8,544)	6.0%
Tax Expenses	(3,124)	(3,138)	-0.4%
Investments in Affiliates and Subsidiaries	20	1	n.a.
Other Operating Income/Expenses ⁽³⁾	(3,109)	(3,143)	-1.1%
OPERATING INCOME	6,272	6,716	-6.6%
Non Operating Income	238	70	n.a.
NET PROFIT BEFORE TAX	6,510	6,785	-4.1%
Income Tax and Social Contribution	(518)	(296)	74.7%
Minority Interest	(248)	(126)	96.3%
NET PROFIT	5,744	6,363	-9.7%

(1) Excludes 100% of the goodwill amortization expense, the tax hedge effect and others as mentioned on pages 31 and 32. Additionally, the 2012 figures were retrospectively impacted by the CVM Deliberation 695, issued by CVM on December 13th, 2012, which deals with employee benefits, mainly pension plans. The description of such impacts is provided on page 33.

(2) Administrative Expenses exclude 100% of the goodwill amortization expense.

(3) Includes Net Income from Premiums, Pension Funds and Capitalization.

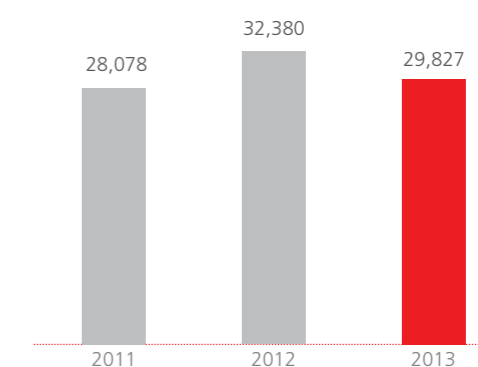
Net interest income

Net interest income, including income from financial operations, totaled R\$ 29,827 million in 2013, down 7.9% on 2012.

Revenues from loan operations fell by 8.5% (or R\$ 2,101 million) in 12 months. The average volume of loan portfolio grew 6.3%. This was chiefly due to the change in the mix caused by the strong increase in the share of products with lower spreads/risks.

Revenues from deposits decreased by 0.8% in 12 months. The "Others" line, which includes return on capital, the result of the structural interest rate gap, revenue from clients in treasury activities and others, fell by 6.6% (or R\$ 445 million) in the year, primarily due to reduced gains from market activities.

NET INTEREST INCOME (R\$ Million)



NET INTEREST INCOME (R\$ MILLION)

	2013	2012	Var. 2013x2012
NET INTEREST INCOME	29,827	32,380	-7.9%
Loans	22,704	24,805	-8.5%
Average volume	215,350	202,632	6.3%
Spread (p.a.)	10.5%	12.2%	-1.70 p.p.
Deposits	843	850	-0.8%
Average volume	123,116	119,691	2.9%
Spread (p.a.)	0.7%	0.7%	-0.03 p.p.
Other⁽¹⁾	6,280	6,726	-6.6%

(1) Includes other margins and interest income.

Fee and commission income

Fee and commission income totaled R\$ 10,674 million in 2013, 10.3% (or R\$ 994 million) up in 12 months.

Credit card commissions amounted to R\$ 3,182 million in 2013, 19.6% (or R\$ 522 million) more than in 2012. Insurance fees totaled R\$ 1,819 million in the year as a whole, 24.5% (or R\$ 358 million) up on 2012. The variation being impacted by the new regulation issued

by Susep⁽²⁾ (the insurance sector regulator) in March 2013 which altered the rule for recognizing policies issued but not in force, should be recorded by their issue date and no longer by their period of effectiveness. As a result, policy renewals, which are highly concentrated at the beginning of the year, were now recognized in December 2013. If one excludes this effect, insurance fees would have grown by 15.7% in 12 months, while total fees would have moved up by 8.9%.

ECONOMIC/FINANCIAL INFORMATION (BR GAAP)

Income from current account services came to R\$ 1,803 million in 2013, growth of 11.8% (or R\$ 190 million) in 12 months.

Income from lending operations totaled R\$ 1,182 million, 8.1% (or R\$ 104 million) down in 12 months.

Income from collection services amounted to R\$ 810 million in 2013, up 12.5% (or R\$ 90 million) in 12 months.

Also, Revenue from the Management of Funds, Consortia and Assets fell by -7.7% in twelve months, reflecting the discontinuation of the operations of Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A., as mentioned on page 51. Excluding this event, this line edged fell by 2.3% in twelve months.

■ FEE AND COMMISSION INCOME (R\$ MILLION)

	2013	2012	Change 2013x2012
Cards ⁽¹⁾	3,182	2,660	19.6%
Insurance fees	1,819	1,461	24.5%
Current Account Services	1,803	1,612	11.8%
Asset Management ⁽²⁾	1,172	1,269	-7.7%
Lending Operations ⁽³⁾	1,182	1,286	-8.1%
Collection Services ⁽⁴⁾	810	721	12.5%
Securities Brokerage, Custody and Placement Services	448	416	7.8%
Others ⁽³⁾	259	256	1.0%
Total	10,674	9,680	10.3%

(1) Includes credit card and acquiring services net of the amount transferred as interchange.

(2) Includes income from funds and consortia

(3) From 4Q13, we reclassified "income from guarantees provided" of "others" fees for "Lending Operations". For comparison, this reclassification is also reflected in prior periods.

(4) Includes collection and bills.

General expenses (administrative + personnel)

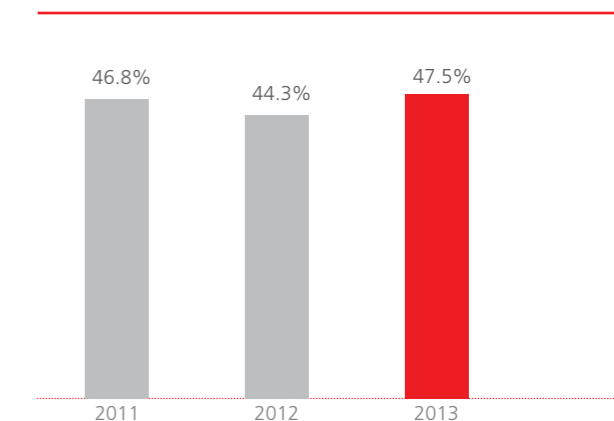
Administrative and personnel expenses (excluding depreciation and amortization) totaled R\$ 14,565 million in 2013, up 2.9% (or R\$ 413 million) in 12 months.

General expenses, including depreciation and amortization, grew by 2.9% (or R\$ 454 million) in 12 months. The efficiency ratio stood at 47.5% in the full year.

Personnel expenses, including profit sharing, came to R\$ 7,241 million in 2013, down 0.8% (or R\$ 57 million) in 12 months. Administrative expenses (excluding depreciation and amortization) amounted to R\$ 7,324 million in 2013, 6.9% (or R\$ 471 million) more than in 2012, due to higher expenses from "outside and specialized services", "rentals" and "data processing".

Depreciation and amortization totaled R\$ 1,732 million in 2013, up 2.4% (or R\$ 41 million) in 12 months.

■ EFFICIENCY RATIO⁽¹⁾



(1) General expenses/(gross interest margin + fee income and bank charges + tax expenses + Non-Interest income/expenses).

■ EXPENSES' BREAKDOWN (R\$ MILLION)

	2013	2012	Change 2013x2012
Outsourced and Specialized Services	2,339	2,135	9.6%
Advertising, promotions and publicity	440	475	-7.4%
Data processing	1,294	1,223	5.8%
Communications	612	613	-0.3%
Rentals	742	617	20.1%
Transport and Travel	217	209	3.8%
Security and Surveillance	593	560	5.9%
Maintenance	201	193	3.9%
Financial System Services	352	280	25.6%
Water, Electricity and Gas	163	173	-5.9%
Material	100	107	-6.4%
Others	272	266	2.0%
Subtotal	7,324	6,853	6.9%
Depreciation and Amortization ⁽¹⁾	1,732	1,691	2.4%
ADMINISTRATIVE EXPENSES	9,055	8,544	6.0%
Compensation ⁽²⁾	4,579	4,661	-1.7%
Charges	1,342	1,399	-4.1%
Benefits	1,161	1,080	7.5%
Training	139	141	-1.1%
Others	19	18	8.6%
PERSONNEL EXPENSES	7,241	7,299	-0.8%
ADMINISTRATIVE + PERSONNEL EXPENSES (excludes deprec. and amortization)	14,565	14,152	2.9%
TOTAL GENERAL EXPENSES	16,297	15,842	2.9%

(1) Excludes the expenses of goodwill amortization, which in 4Q13 was R\$909 million, 4Q12 was 909 million and in 3Q13 was R\$ 909 million.

(2) Includes Profit Sharing.

ECONOMIC/FINANCIAL INFORMATION (BR GAAP)

Allowance for loan losses

The allowance for loan losses totaled R\$ 11,720 million, down 11.4% in 12 months. The reduction was primarily due to improved delinquency in the portfolio as well as increased efforts to recover loans.

■ ALLOWANCE FOR LOAN LOSSES (R\$ MILLION)

	2013	2012	Change 2013x2012
Gross allowance for loan losses	(14,227)	(14,991)	-5.1%
Income from recovery of written off loans	2,507	1,769	41.8%
Total	(11,720)	(13,223)	-11.4%

Other operating income (expenses)

Other operating income (expenses) came to R\$ 3,108 million in 2013, down by 1.1% (or R\$ 35 million) in 12 months.

■ OTHER OPERATING INCOME (EXPENSES) (R\$ MILHÕES)

	2013	2012	Change 2013x2012
Other operating income (expenses)	(3,108)	(3,143)	-1.1%
Expenses from cards	(1,538)	(1,291)	19.1%
Net Income Capitalization	269	308	-12.6%
Provisions for contingencies ⁽¹⁾	(1,643)	(1,807)	-9.1%
Others	(196)	(353)	-44.5%

(1) Includes tax, civil and labor provisions.

Income tax expenses

Taxes totaled R\$ 518 million in 2013, with an effective tax rate of 8.0%, up 3.6 p.p. in 12 months.

Balance Sheet

At the close of 2013, total assets stood at R\$ 485,866 million, 8.2% up in 12 months. In the same period, total equity came to R\$ 62,819 million, or R\$ 53,446 million excluding goodwill.

■ ASSETS (R\$ MILLION)

	2013	2012	Change 2013x2012
Current Assets and Long-Term Assets	465,777	426,016	9.3%
Cash and Cash Equivalents	5,486	4,742	15.7%
Interbank Investments	47,655	36,771	29.6%
Money Market Investments	32,457	21,354	52.0%
Interbank Deposits	2,480	4,616	-46.3%
Foreign Currency Investments	12,718	10,801	17.7%
Securities and Derivative Financial Instrument	78,146	76,832	1.7%
Own Portfolio	35,923	37,869	-5.1%
Subject to Repurchase Commitments	20,962	20,225	3.6%
Posted to Central Bank of Brazil	4,603	1,487	209.5%
Pledged in Guarantees	9,394	12,417	-24.3%
Others	7,264	4,834	50.3%
Interbank Accounts	35,833	34,517	3.8%
Interbranch Accounts	1	2	n.a.
Lending Operations	212,508	197,370	7.7%
Lending Operations	227,482	211,959	7.3%
Lending Operations Related to Assignment	25	-	n.a.
(Allowance for Loan Losses)	(14,999)	(14,589)	2.8%
Others Receivables	84,339	74,166	13.7%
Other Assets	1,809	1,617	11.9%
Permanent Assets	20,088	22,860	-12.1%
Investments	137	40	n.a.
Fixed Assets	6,807	5,602	21.5%
Intangibles	13,144	17,218	-23.7%
Goodwill	26,245	26,172	0.3%
Intangible Assets	7,062	7,117	-0.8%
(Accumulated Amortization)	(20,162)	(16,072)	25.5%
Total Assets	485,866	448,876	8.2%
Goodwill (net of the amortization)	9,374	12,937	-27.5%
Total Assets (excluding goodwill)	476,492	435,938	9.3%

ECONOMIC/FINANCIAL INFORMATION (BR GAAP)

LIABILITIES (R\$ MILLION)

	Dec/13	Dec/12	Change Dec13xDec12
Current Liabilities and Long Term Liabilities	421,751	384,373	9.7%
Deposits	134,213	126,545	6.1%
Demand Deposits	15,605	13,457	16.0%
Savings Deposits	33,589	26,857	25.1%
Interbank Deposits	3,920	3,392	15.5%
Term Deposits	81,100	82,839	-2.1%
Money Market Funding	78,462	72,529	8.2%
Own Portfolio	61,711	56,655	8.9%
Third Parties	8,972	7,344	22.2%
Free Portfolio	7,779	8,530	-8.8%
Funds from Acceptance and Issuance of Securities	69,061	56,294	22.7%
Resources from Real Estate Credit Notes, Mortgage Notes, Credit and Similar	49,615	39,742	24.8%
Securities Issued Abroad	18,170	15,298	18.8%
Others	1,276	1,253	1.8%
Interbank Accounts	64	19	244.0%
Interbranch Accounts	2,771	2,002	38.4%
Borrowings	17,975	16,001	12.3%
Domestic Onlendings – Official Institutions	11,757	9,385	25.3%
Foreign Onlendings	19	41	-52.9%
Derivative Financial Instruments	5,865	5,205	12.7%
Other Payables	101,563	96,353	5.4%
Deferred Income	308	222	38.8%
Minority Interest	987	829	19.1%
Equity	62,819	63,452	-1.0%
Total Liabilities	485,866	448,876	8.2%
Equity (excluding goodwill)	53,446	50,514	5.8%

Obs.: The 2012 figures were retrospectively impacted by the CVM Deliberation 695, issued by CVM on December 13th, 2012, which deals with employee benefits, mainly pension plans.

Securities

Securities totaled R\$ 78,146 million in December 2013, growth of 1.7% in 12 months.

SECURITIES (R\$ MILLION)

	2013	2012	Change 2013x2012
Public securities	51,743	56,573	-8.5%
Private securities, funds quotas / others	19,142	15,428	24.1%
Financial instruments	7,261	4,831	50.3%
Total	78,146	76,832	1.7%

Credit portfolio

At year-end, the total credit portfolio amounted to R\$ 227,482 million, up 7.3% in 12 months. The foreign currency credit portfolio, which also includes dollar-indexed loans, was impacted by the devaluation of the Real against the dollar, resulting in an increase in this portfolio. Excluding the effect of the exchange rate variation, the total credit portfolio would have grown by 5.7% in 12 months.

At the close of December, the foreign currency loan portfolio, including dollar-indexed loans, totaled R\$ 26.9 billion, 17.0% more than the R\$ 23.1 billion recorded at the end of 2012.

The expanded credit portfolio, which includes other credit risk transactions, acquiring activities and guarantees, ended the year at R\$ 279,812 million, growth of 9.3% in 12 months.

MANAGERIAL BREAKDOWN OF CREDIT BY SEGMENT (R\$ MILLION)

	2013	2012	Change 2013x2012
Individuals	75,522	71,287	5.9%
Consumer Financing	37,849	36,806	2.8%
SMEs	33,712	36,487	-7.6%
Corporate	80,400	67,379	19.3%
Total portfolio	227,482	211,959	7.3%
Other credit related transactions ⁽¹⁾	52,330	44,005	18.9%
Total expanded loan portfolio	279,812	255,964	9.3%

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

Loans to individuals

Loans to individuals closed December 2013 at R\$ 75,522 million, up 5.9% (or R\$ 4,234 million) in 12 months. The two products that contributed to the increase in this portfolio were the mortgages and credit cards.

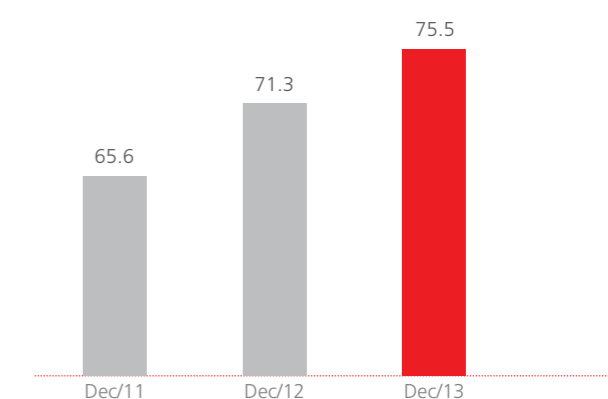
12 months. It is worth noting that the reduced growth pace of this portfolio was caused by adjustments to the product's processes and strategy.

The credit card portfolio totaled R\$ 17,221 million, up 6.5% (or R\$ 1,046 million) in 12 months.

The balance of mortgages closed the year at R\$ 15,702 million, up 32.9% (or R\$ 3,890 million) in 12 months.

Payroll loans, excluding the acquired portfolio, totaled R\$ 13,058 million, down 3.6% (or R\$ 490 million) in

INDIVIDUALS (R\$ Billion)



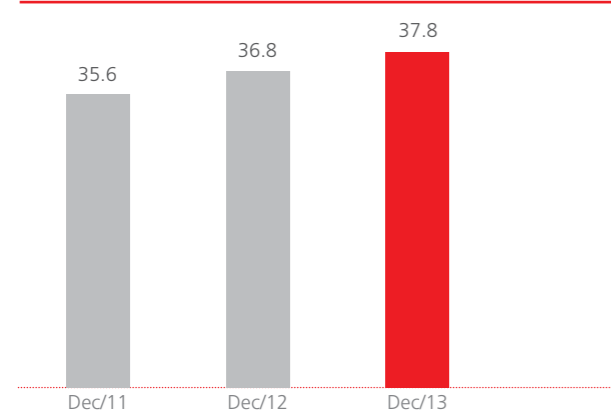
ECONOMIC/FINANCIAL INFORMATION (BR GAAP)

Consumer finance

The consumer finance portfolio, which is originated outside the branch network, closed 2013 at R\$ 37,849 million, up 2.8% (or R\$ 1,043 million) in 12 months. Of this total, R\$ 30,539 million refers to vehicle financing for individuals.

Therefore, the total vehicle portfolio for individuals, including operations originated through car dealers and Santander's branch network, amounted to R\$ 33,732 million in 2013, an increase of 3.0% in 12 months.

CONSUMER FINANCE (R\$ Billion)



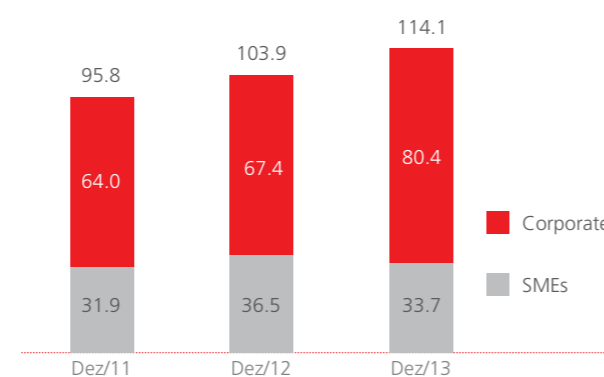
Corporate and SMEs loans

Corporate and SMEs loans closed 2013 at R\$ 114,111 million, up 9.9% (or R\$ 10,246 million) in 12 months.

The Corporate loan portfolio came to R\$ 80,400 million, growth of 19.3% (or R\$ 13,021 million) in 12 months, being positively impacted by the exchange rate variation. Excluding this impact, growth would have come to 14.2% in 12 months.

Loans to SMEs totaled R\$ 33,712 million in 2013, down 7.6% (or R\$ 2,775 million) in 12 months. The reduced growth pace of this portfolio reflects the more moderate pace of economic activity throughout the year, as well as our efforts to prioritize the profitability of this business. However, the bank will maintain its focus on the segment and will continue working on solutions that will permit growth with quality.

CORPORATE (R\$ Billion)



Individual and Corporate Loan Portfolio by Product

BREAKDOWN OF MANAGERIAL CREDIT PORTFOLIO BY PRODUCT (R\$ MILLION)

	2013	2012	Change 2013x2012
Individuals			
Leasing / Auto Loans ⁽¹⁾	3,193	2,744	16.3%
Credit Card	17,221	16,174	6.5%
Payroll Loans ⁽²⁾	13,719	14,772	-7.1%
Payroll Loans originated by the bank	13,058	13,548	-3.6%
Acquired portfolio	661	1,224	-46.0%
Mortgages	15,702	11,812	32.9%
Agricultural Loans	2,740	2,163	26.7%
Personal Loans / Others	22,948	23,621	-2.9%
Total Individuals	75,522	71,287	5.9%
Consumer Finance	37,849	36,806	2.8%
Corporate and SMEs			
Leasing / Auto Loans	3,337	3,508	-4.9%
Real Estate	9,497	7,789	21.9%
Trade Finance	17,102	15,948	7.2%
On-lending	9,944	7,811	27.3%
Agricultural Loans	2,290	2,221	3.1%
Working capital / Others	71,942	66,588	8.0%
Total Corporate and SMEs	114,111	103,865	9.9%
Total Credit	227,482	211,959	7.3%
Other Credit Risk Transactions with clients ⁽³⁾	52,330	44,005	18.9%
Total Expanded Credit Portfolio	279,812	255,964	9.3%

(1) Including the loans to individual in the consumer finance segment, auto loan portfolio totaled R\$ 33,732 MM in 4Q13, R\$ 32,765 MM in 4Q12, R\$ 33,138 MM in 3Q13.

(2) Includes acquired payroll loan portfolio.

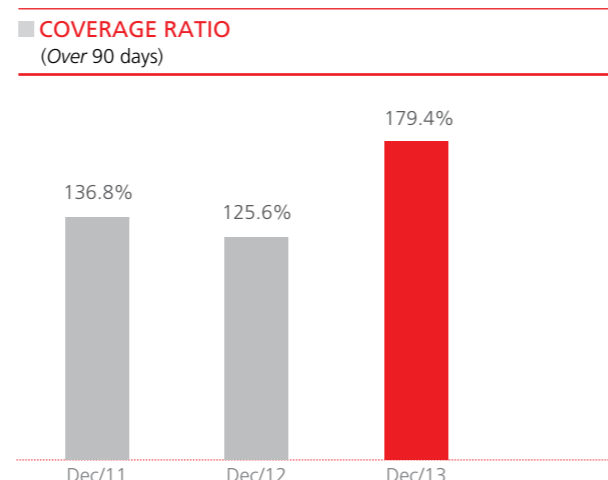
(3) Includes "Debenture", FIDC, CRI, Floating Rate Notes, Promissory Notes, Acquiring activities related assets and guarantees.

ECONOMIC/FINANCIAL INFORMATION (BR GAAP)

Balance of allowance for loan losses / coverage ratio

The balance of allowance for loan losses totaled R\$ 14,999 million in December 2013, up 2.8%.

The BR GAAP coverage ratio is obtained by dividing the balance of allowance for loan losses by loans overdue by more than 90 days. At the close of December 2013, it stood at 179.4%, 53.9pp up in 12 months, chiefly due to the substantial reduction in the balance of loans overdue by more than 90 days as a result of the improvement in the quality of the portfolio.



Renegotiation portfolio

Credit renegotiations came to R\$ 14,015 million in December 2013, growth of 27.5% in 12 months. 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.

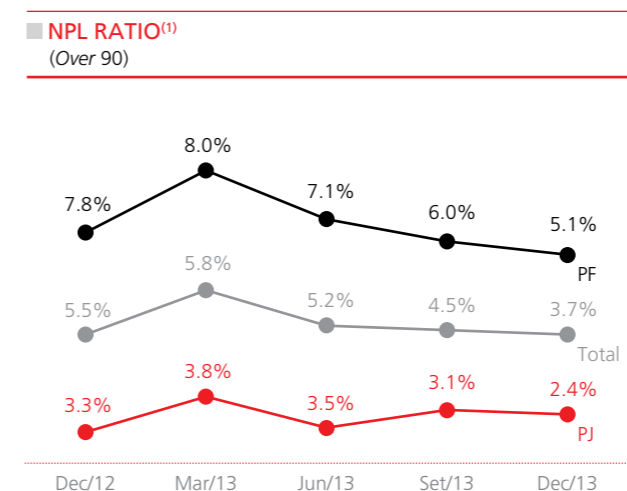
At year-end, 50.3% of the portfolio was provisioned, versus 51.2% at the close of 2012. These levels are considered to be adequate, given the nature of the operations involved.

■ RENEGOTIATED PORTFOLIO (R\$ MILLION)

	2013	2012	Change 2013x2012
Renegotiated Portfolio	14,015	10,992	27.5%
Allowance for loan losses over renegotiated portfolio	(7,050)	(5,633)	25.1%
Coverage	50.3%	51.2%	-0.9 p.p.

Delinquency Ratio (Over 90 Days)

The over-90-day delinquency ratio reached 3.7% of the total credit portfolio, down 1.8 p.p. in 12 months. This reduction reflects the improvement in the quality of the portfolio. The delinquency ratio of the individual segment stood at 5.1%, down 2.7 p.p. in 12 months. Delinquency in the corporate segment reached 2.4%, down 0.9 p.p. in 12 months.

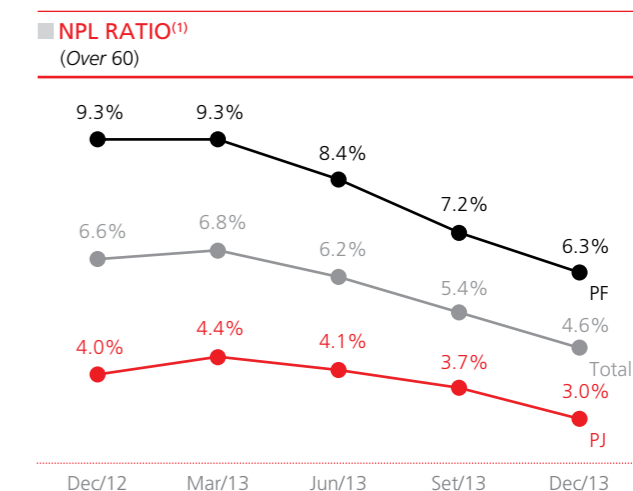


(1) Loans overdue by more than 90 days / Loan Portfolio in BRGAAP.

Delinquency Ratio (Over 60 Days)

The over-60-day delinquency ratio came to 4.6% in December 2013, down 2.0 p.p. in 12 months. The individual delinquency ratio came to 6.3%, down 3.0 p.p. in 12 months, while the corporate ratio fell by 1.0 p.p. in 12 months.

The 15-90-day delinquency ratio totaled stood at 4.7%, 0.2 p.p. down in 12 months.



(1) Loans overdue by more than 60 days / Loan Portfolio in BRGAAP.

Funding

Funding from clients closed 2013 at R\$ 222,067 million, up 11.5% (or R\$ 22,874 million) in 12 months. The best performers were debentures, real estate notes (LCIs),

agribusiness notes (LCAs) and savings deposits, which jointly accounted for more than 70% of the increase in both periods.

■ FUNDING (R\$ MILLION)

	2013	2012	Change 2013x2012
Demand deposits	15,605	13,457	16.0%
Savings deposits	33,589	26,857	25.1%
Time deposits	81,100	82,839	-2.1%
Debentures/LCI/LCA ⁽¹⁾	60,920	49,548	23.0%
Treasury notes (<i>Letras Financeiras</i>)	30,854	26,493	16.5%
Funding from clients	222,067	199,193	11.5%

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

ECONOMIC/FINANCIAL INFORMATION (BR GAAP)

Credit/funding ratio

The credit/funding ratio reached 102.4% in December 2013, down 4.0 p.p. in twelve months. This improvement reflects the higher growth of funding from clients in relation to loan portfolio.

The liquidity metric adjusted for the (high) reserve requirements and medium/long term funding stood at 93.5%, down 3.9 p.p. in 12 months.

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

FUNDING X LOANS (R\$ MILLION)

	2013	2012	Change 2013x2012
Funding from clients (A)	222,067	199,193	11.5%
(-) Reserve Requirements	(35,619)	(34,310)	3.8%
Funding Net of Reserve Requirements	186,448	164,883	13.1%
Borrowing and Onlendings	11,838	9,507	24.5%
Subordinated Debts	8,906	11,919	-25.3%
Offshore Funding	36,083	31,218	15.6%
Total Funding (B)	243,275	217,528	11.8%
Assets under management ⁽¹⁾	144,942	134,935	7.4%
Total Funding and Asset under management	388,218	352,463	10.1%
Total Credit (C)	227,482	211,959	7.3%
C / B (%)	93.5%	97.4%	
C / A (%)	102.4%	106.4%	

(1) According to Anbima criterion.

BIS Ratio

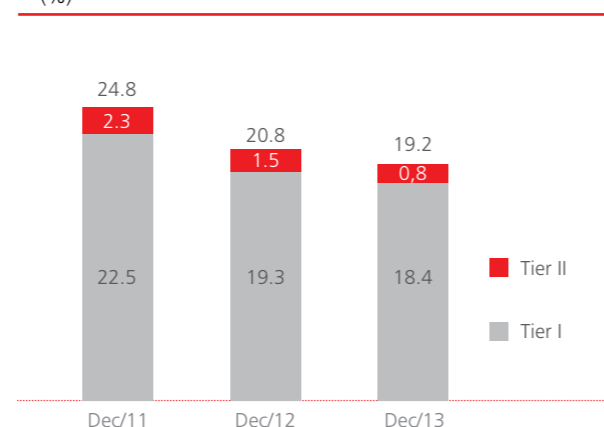
The BIS ratio totaled 19.2% in December 2013, a decrease of 1.6 p.p. over December 2012.

The BIS ratio was impacted mainly by the implementation, in October 2013, of the new rules related to the definition of capital and the regulatory capital requirements with the purpose of implementing in Brazil the recommendations of the Basel Committee on Banking Supervision (Basel III).

The new rules were released by resolutions 4,192 and 4,193 and Circular 3,644 and, subsequently amended respectively by resolutions 4,278 and 4,281 and Circular 3,679, published in October 2013, establishing the rules for calculating the minimum Regulatory Capital requirements, Tier I and Principal Capital. The minimum Regulatory Capital requirements remains at 11% and the Tier I requirement is 5.5% and Principal Capital is 4.5%.

According to the new rules on regulatory capital in Brazil, the value of goodwill for the calculation of capital base will be deducted from the capital base according to the "phase-in" of implementation of Basel III in Brazil.

BIS RATIO (%)



According to the new regulatory capital standards in Brazil, the amount of goodwill to calculate the Bank's regulatory capital will be deducted from the capital base according with implementation phase-in of Basel III in Brazil.

In addition, in September we announced certain initiatives to establish a more efficient capital structure without altering

the Bank's solvency level. Through a pioneering transaction in the Brazilian market, we replaced R\$ 6 billion of Santander Brasil's equity with an equal amount of additional Tier I and Tier II capital. The main objectives are to: (i) reduce the cost of capital; (ii) Increase return on equity while maintaining the same degree of solvency; and (iii) ensure a more flexible capital structure in terms of currencies and composition.

OWN RESOURCES AND BIS (R\$ MILLION)⁽¹⁾

	2013	2012	Change 2013x2012
Tier I Regulatory Capital	63,595	65,213	-2.5%
- Principal Capital	63,595		
Tier II Regulatory Capital	2,701	5,070	-46.7%
Adjusted Regulatory Capital (Tier I and II)	66,296	70,283	-5.7%
Required Regulatory Capital	37,936	37,171	2.1%
Adjusted Credit Risk Capital requirement	34,200	32,449	5.4%
Market Risk Capital requirement	2,048	2,951	-30.6%
Operational Risk Capital requirement	1,689	1,770	-4.6%
Basel Ratio	19.2%	20.8%	-1.6 p.p.
Tier I	18.4%	19.3%	-0.9 p.p.
- Principal Capital	18.4%		
Tier II	0.8%	1.5%	-0.7 p.p.

(1) Does not consider the eventual impacts of the Capital Optimization Plan.

Cards

Santander closed 2013 continuing with its strategy of expanding its share of the credit card market and launching innovative and advantageous products for its clients.

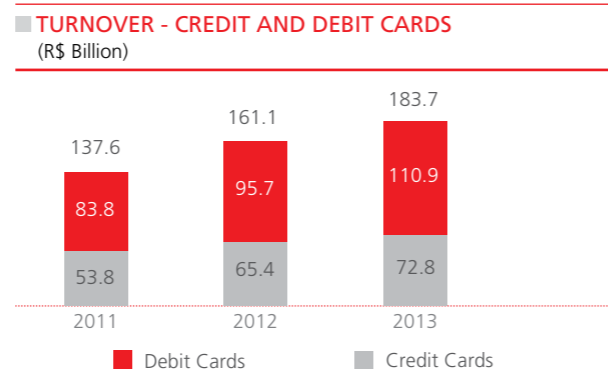
In order to strengthen relations with our clients, in 2013 we focused on expanding Santander Esfera, which offers our customers promotions and discounts with our chosen partners on a daily basis. In November, we began a partnership with the Easy Taxi application and included the Azul airline in the SuperBônus catalogue.

We are continuing to work closely with our account and non-account holders, providing differentiated product offerings developed for their specific needs, enabling us to expand our customer base, while always seeking to play a greater role in their financial planning.

ECONOMIC/FINANCIAL INFORMATION (BR GAAP)

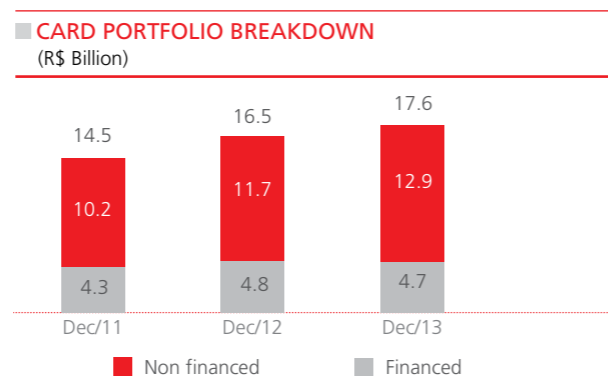
Turnover

Credit turnover volume totaled R\$ 19.7 billion in 2013, up 11.1% in 12 months. Debit volume came to R\$ 32.1 billion, growth of 13.3% in 12 months.



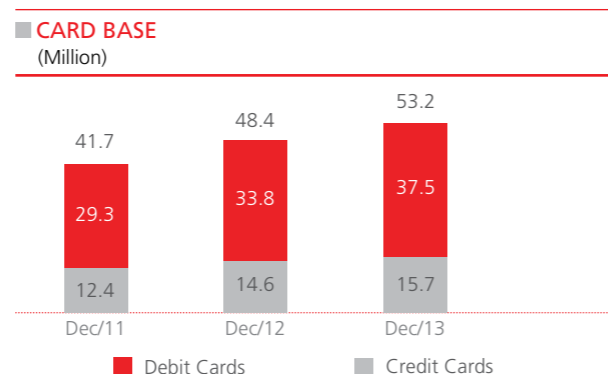
Credit Card Portfolio

The total credit card portfolio came to R\$ 17.6 billion in 2013, up 6.3% YoY. The financed portfolio totaled R\$ 4.7 billion, 2.6% down in 12 months.



Card Base

The credit card base grew 7.6% in 12 months, reaching 15.7 million cards. Debit cards totaled 37.5 million in 2013, up 11.1% YoY.



Rating Agencies

Santander is rated by international agencies and the ratings awarded reflect different factors, including operating performance, the quality of management and financial soundness, in addition to other factors in relation to the financial sector and economic environment where the Bank operates. The following table shows the ratings awarded by the three major rating agencies:

RATINGS

Rating Agency	Global Scale				National Scale	
	Local Currency		Foreign Currency		National	
	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Fitch Ratings (outlook)	BBB (stable)	F2	BBB (stable)	F2	AAA (bra) (stable)	F1+ (bra)
Standard & Poor's (outlook)	BBB (negative)	A-2	BBB (negative)	A-2	brAAA (negative)	brA-1
Moody's (outlook)	Baa2 (stable)	Prime-2	Baa2 (stable)	Prime-2	Aaa.br (stable)	Br-1

Ratings awarded as published in the respective rating agencies' reports: Fitch Ratings (May 28, 2013); Standard&Poor's (June 7, 2013) e Moody's (October 3, 2013).

Accounting and managerial results reconciliation

To provide a better understanding of the results in BR GAAP, this report presents the Managerial Income Statement, which includes the adjustments made to the Accounting Income Statement. Note that these adjustments have no effect on net profit. All information, indicators and comments relating

to the Income Statement in this report consider the managerial results, except where indicated otherwise.

The 2012 figures were retrospectively impacted by the CVM Deliberation 695, issued by CVM on December 13th, 2012, which deals with employee benefits, mainly pension plans.

ACCOUNTING AND MANAGERIAL RESULTS RECONCILIATION (R\$ MILLION)

	2013 Accounting	Reclassifications			Non		
		Tax Effect of Hedge ⁽¹⁾	Credit Recovery ⁽²⁾	Amortization of goodwill ⁽³⁾	Profit sharing	Recurrent Events ⁽⁴⁾	2013 Managerial
NET INTEREST INCOME	29,749	(2,367)	2,507			(218)	29,827
Allowance for Loan Losses	(14,319)		(2,507)			(92)	(11,720)
NET INTEREST INCOME AFTER							
LOAN LOSSES	15,430	(2,367)	-			(310)	18,107
Fee and commission income	10,674					-	10,674
General Expenses	(19,084)	-		(3,637)	958	(108)	(16,297)
Personnel Expenses + Profit Sharing	(6,283)				958	-	(7,241)
Administrative Expenses	(12,801)			(3,637)		(108)	(9,055)
Tax Expenses	(2,988)	199				(63)	(3,124)
Investments in Affiliates and Subsidiaries	20					-	20
Other Operating Income/Expenses	(3,648)					(539)	(3,109)
OPERATING INCOME	405	(2,169)	-	(3,637)	958	(1,020)	6,272
Non Operating Income	1,258					1,020	238
NET PROFIT BEFORE TAX	1,662	(2,169)	-	(3,637)	958	-	6,510
Income Tax	1,651	2,169				-	(518)
Profit Sharing	(958)				(958)	-	-
Minority Interest	(248)					-	(248)
NET PROFIT	2,107	(0)	-	(3,637)	-	-	5,744

(1) Fiscal Hedging: in accordance with Brazilian tax regulations, gains (losses) due to the foreign exchange rate variation in relation to investments in foreign currency is not taxable (deductible). This tax treatment leads to foreign exchange rate exposure in relation to taxes. A foreign exchange rate hedge position was defined with the aim of protecting net income against foreign exchange rate variations related to this foreign exchange rate exposure for taxes.

(2) Loan Recovery: Reclassification of the line of income from credit transactions for loan provisions.

(3) Amortization of goodwill: Reversal of goodwill amortization expenses.

(4) Non-recurring items: For more details, please see page 30 of the 2013 BR GAAP – EARNINGS, at www.santander.com.br/ir, Financial Information / Results Center.

ECONOMIC/FINANCIAL INFORMATION (BR GAAP)

ACCOUNTING AND MANAGERIAL RESULTS RECONCILIATION (R\$ MILLION)

	Reclassifications					2012 Managerial
	2012 Accounting	Tax Effect of Hedge ⁽¹⁾	Credit Recovery ⁽²⁾	Amortization of goodwill ⁽³⁾	Profit sharing	
NET INTEREST INCOME	32,563	(1,437)	1,769			32,380
Allowance for Loan Losses	(14,991)		(1,769)			(13,223)
NET INTEREST INCOME AFTER LOAN LOSSES	17,572	(1,437)	-			19,158
Fee and commission income	9,680					9,680
General Expenses	(18,499)	-	-	(3,637)	980	(15,842)
Personnel Expenses + Profit Sharing	(6,318)				980	(7,299)
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	(3,143)					(3,143)
OPERATING INCOME	2,584	(1,327)	-	(3,637)	980	6,716
Non Operating Income	218					(148)
NET PROFIT BEFORE TAX	2,802	(1,327)	-	(3,637)	980	6,786
Income Tax	1,031	1,327				(296)
Profit Sharing	(980)				(980)	-
Minority Interest	(126)					(126)
NET PROFIT	2,726	(0)	-	(3,637)	-	6,363

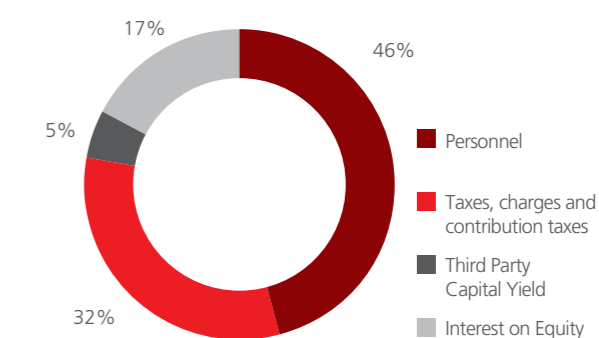
- (1) Fiscal Hedge: Under Brazilian income tax rules, gains (losses) resulting from the exchange rate variation on the foreign currency investments are not taxable (tax deductible). This tax treatment leads to foreign exchange rate exposure in the tax line. A hedge position was set up in order to immunize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

Statements Of Value Added G4-EC01

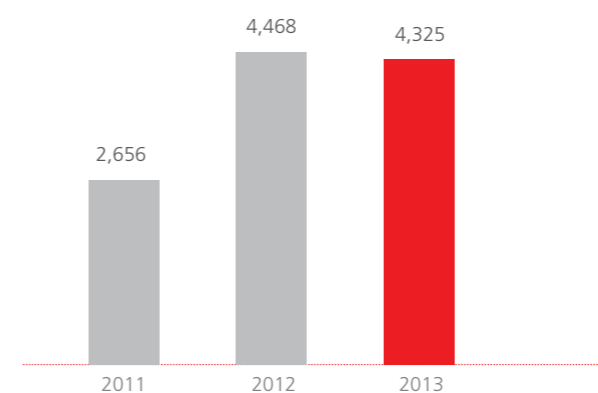
ADDED VALUE DISTRIBUTION

R\$ Million	2013	2012	2011
Personnel	6,354	6,408	5,935
Taxes, charges and contribution taxes	4,325	4,468	2,656
Third Party Capital Yield	742	617	546
Interest on Equity	2,355	2,852	3,638
Total	13,776	14,346	12,775

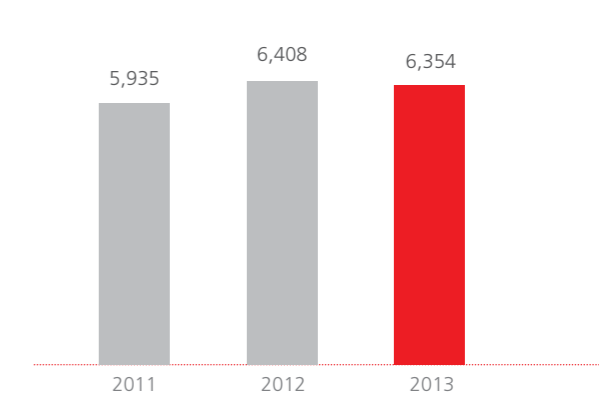
ADDED VALUE DISTRIBUTION



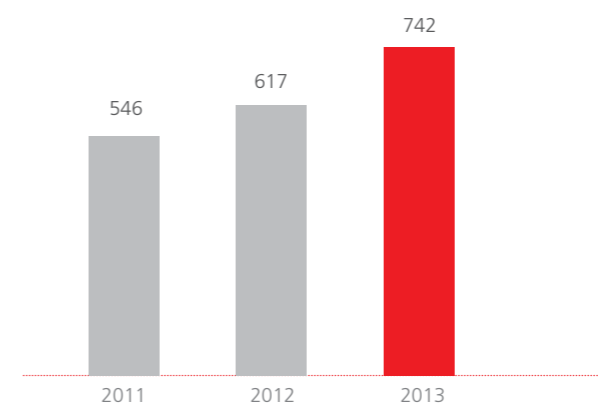
TAXES AND CONTRIBUTIONS (R\$ Million)



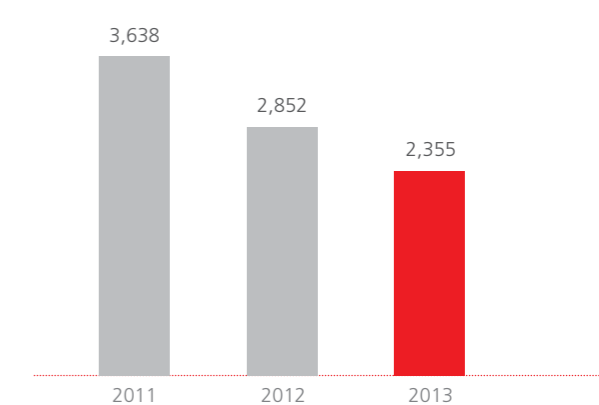
EMPLOYEES (R\$ Million)



COMPENSATION OF THIRD-PARTY CAPITAL RENTAL (R\$ Million)



REMUNERATION OF INTEREST ON CAPITAL (R\$ Million)



BUSINESS PERFORMANCE

MORE THAN
2 MILLION
NEW CLIENTS

SIMPLICITY TO GROW

A simple bank, with a close relationship with its clients is the formula to grow and conquer the market.

In 2013, Santander's business strategy in the two large segments the Bank operates in (Commercial Bank, Wholesale Bank) was to continue to be a simple bank with a close relationship with its clients, whether SMEs, large-sized corporations or clients in any income bracket.

This strategy, associated with a revamping of areas, processes and internal technologies implemented in the last couple years, is in line with the growth with sustainability guideline.



The Santander Research Team working at Torre Santander

67 %
GROWTH IN ACQUIRING REVENUES

53,221
million active cards



Santander
Select Units
61
Card
Revenues
+14%

SOCIAL AND ENVIRONMENTAL FINANCING

The concession of loan for projects and initiatives by companies that encourage sustainable development is one of the Bank's focus and one of its main tenets in the country. In 2013 Santander provided approximately R\$ 2 billion in loans focused on this objective; among these, highlights projects such as eco-efficiency in the production line, energy efficiency, water consumption and sustainable constructions, to name a few.

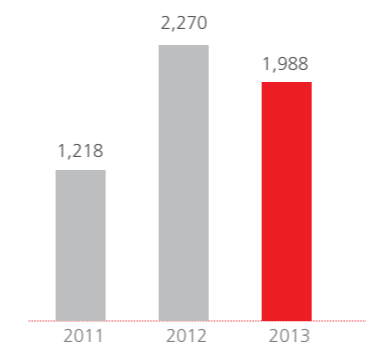
The social and environmental credit facilities are divided into three main groups: Retail SMEs, Corporate (large-sized firms, with revenues in excess of R\$80 million), and Agribusiness.

In the SMEs the main products available are *CDC Sustentável* (Sustainable Consumer Loans), to purchase machinery and equipment that promote efficiency in water consumption or waste treatment; and the *Giro Sustentável*, with focus on construction, projects, consulting and certification in search of efficiency in energy or water consumption and management. Santander Financiamentos also has special facilities such as the *CDC Acessibilidade* (acquisition of equipment for disabled people), *CDC Energias Renováveis* (Renewable Energy) and *CDC Produção e Processos Mais Limpos* (Cleaner Production and Processes).

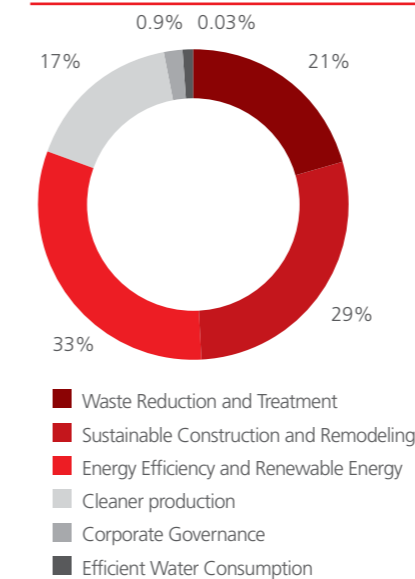
In the Corporate segment, the Bank offers customized solutions with products and services for individual projects and clients. The main focus for the Bank's operation in this segment is energy efficiency and renewable energy projects, including treatment and management of water and/or waste, and sustainable civil construction, to name a few.

In Agribusiness, Santander offers special facilities such as the *Linha ABC - Agricultura de Baixo Carbono*, for sustainable agriculture and cattle raising techniques; *BNDES Moderagro*, for projects that fit into the *Programa de Modernização da Agricultura e Conservação de Recursos Naturais* (such as tracing systems and soil recovery); and *BNDES PSI - Bens de Capital*, focused on the purchase of machinery and equipment for farming with increased energy efficiency that contribute to the reduction of greenhouse gas emissions, to name a few.

SOCIAL AND ENVIRONMENTAL FINANCING (individuals + corporate) (R\$ million)



SOCIAL AND ENVIRONMENTAL LOANS CORPORATE (breakdown by purpose)



COMMERCIAL BANKING

The activities of the Commercial Network focused on five priorities in 2013: client base and client satisfaction growth; increase in loyalty; increase in efficiency; productivity gains; and people management.

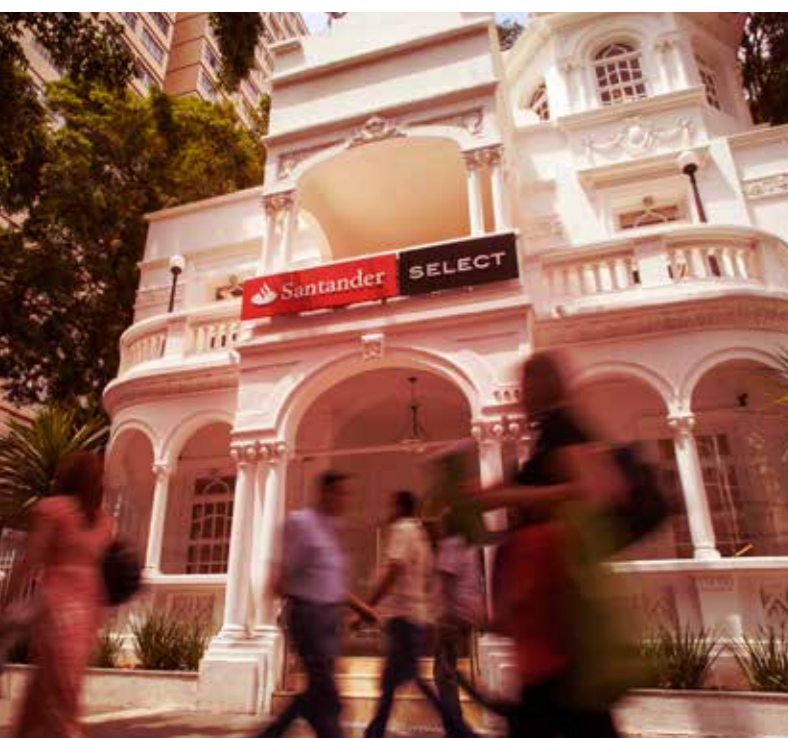
One of the strategic elements in the search of these objectives was the review of the value offer and the segmentation for individuals, through the launch of *Contas Combinadas* and the Santander Select segment (see more on page 23).

These new initiatives allow the Bank to deliver more customized offers and services, suitable to client needs, which contributes to increase the loyalty of the existing client base while making Santander more attractive in capturing new account holders.

Last year the Bank consolidated changes in the services model for the SME segment, which in 2012 placed on the same manager the responsibility to serve small entrepreneurs both as an individual and as a firm.

Supported by these initiatives, the Bank succeeded in increasing both client acquisition and loyalty. In December 2013, the Bank boasted a total of 29.512 million clients, i.e., a growth of more than 2 million clients YoY. On the other hand, the number of Retail clients increased by 200,000 in the second semester only, when the new segmentation was fully in place.

In the Commercial Network a highlight is the launch of exclusive branches in the Santander Select segment, with 61 new units, under a new concept that contemplates investment rooms for clients with video conference.



A new Santander Select branch, at Avenida Paulista, in São Paulo

SANTANDER BRAZIL CONSOLIDATED CHANGES IN THE SERVICES MODEL FOR THE SME SEGMENT WHICH PLACED ON THE SAME MANAGER THE RESPONSIBILITY TO SERVE SMALL ENTREPRENEURS BOTH AS AN INDIVIDUAL AND AS A FIRM

Individual Loans

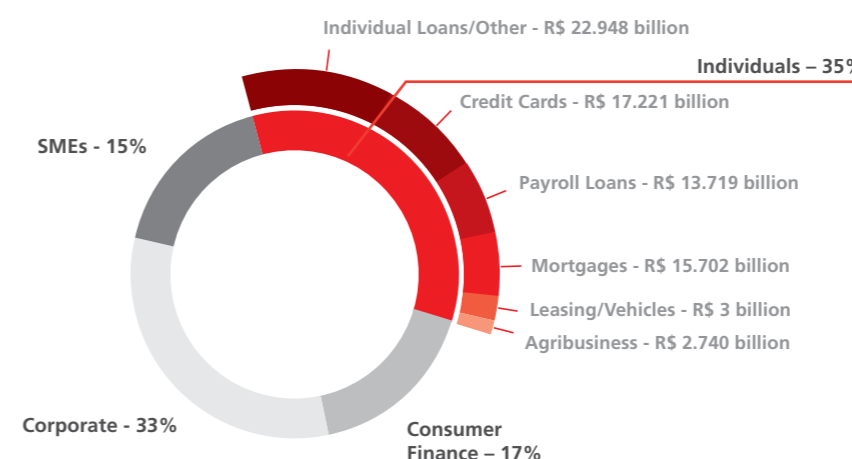
In 2013 the Individual segment followed the trend observed in the year before for an increase in share of collateralized products such as Mortgages, Payroll Loans as opposed to revolving credit such as overdraft and credit cards. As of December, the Individual portfolio was comprised by 58.4% of collateralized assets versus 57.5% YoY.

The Bank's priority was to design an offer that meets exactly the profiles of different clients. For this purpose, the Bank completed its segmentation for Individuals: launched *Santander Select* and created *Contas Combinadas*.

THE BANK LAUNCHED SANTANDER SELECT FOR THE HIGH INCOME SEGMENT, WITH EXCLUSIVE PRODUCTS AND SERVICES, AND CREATED THE *CONTAS COMBINADAS* FOR THE MIDDLE INCOME SEGMENT



Loan Portfolio Breakdown



BUSINESS PERFORMANCE

Cards

Credit and debit cards had a key role in the review of the Bank's value offer for individuals early in the year, with the purpose of meeting specific needs for clients with different profiles while increasing client base loyalty and transactionality.



In addition to the same segmentation and rationale used by the Bank in the Card sector, the service packages we launched in February (i.e., *Contas Combinadas*) helped increase the distribution and use of credit and debit cards. By the end of December, Santander had 53.221 million active cards, a 10% growth YoY 2012.

For Santander Select clients, in the high-income bracket, the Bank play was the *Dupla Oferta Santander Unique*, with two cards for the price of one and a shared credit limit, which allows the client to use his/her preferred card, no need to swap limits.

Another innovation was the *Total Parcelado* program. Designed to organize the client's financial affairs, for an improved organization and spending control, this product allows purchases in installments via credit cards, including installments coming due, at reduced rates and fixed amounts and a maximum of 24 installments.

The year of 2013 was also a year of innovation. In order to encourage the use of credit cards, the Bank executed a partnership agreement with Easy Taxi while launching the *Santander Meia Bandeira* program. The project includes the payment by the Bank of 50% of the taxi fares when using the app in the greater São Paulo area between 8pm-6am, if paid with Santander credit cards.

This initiative contributed with a 14% expansion in card revenue in 2013, to R\$183.6 billion.

Acquiring

In 2013 the Bank made an effort to both expand and consolidate its share in the acquiring market, i.e., processing transactions via POS. The relevant fact in this area was the structuring and acquisition of GetNet, a former partner of the Bank in the segment by providing the technology platform for the transactions. The new agreement, to be completed in 2014, is set to strengthen the Bank's position in this market while allowing the Bank to offer products and innovations that facilitate the daily transactions of SMEs.

In the client base of Santander Brazil, SMEs were also the most benefited by the agreement with the Swedish firm iZettle. The partnership brought to the country a pioneering technology that allows firm owners to turn cell phones and tablets in POS. One of the main advantages in this solution is that there are no fixed costs such as monthly charges, rent or minimum usage rates. The client pays charges according to the amount involved in each transaction, and that is all.

The Bank recorded a 67% growth in revenue in the acquiring segment in 2013, enjoying a market share of 5.8% compared to 4.5% YoY.

Real Estate

The Real Estate Business area operates not only in the mortgage business for individuals and builders but also in other areas in connection with the sector, such as real estate funds, asset securitization (transformation of real estate agreements into securities traded in the secondary market).

Mortgage loans are strategic for the Bank, as it is a low risk asset with high power for building client loyalty; it was the loan product with the highest growth rate in 2013, a 32.9% jump YoY in the Individual segment.

In order to attain and take on these growth rates, the Bank had the support of initiatives such as the *WebCasas*¹, an online platform that brings together realtors and developers, and also the use of technologies that make loan assessment and concession processes faster. One of the innovations was the development of management and scanning of processes, thereby allowing increased control at every step of the process.

The year also witnessed the creation of a Real Estate Fund, the first for the Bank, backed on mortgage loan agreements in its portfolio.

32.9%
GROWTH IN MORTGAGE LOANS
FOR INDIVIDUALS

1. Learn more - visit www.webcasas.com.br

THE SUSTAINABILITY PROGRAM FOR BUILDERS

G4-FSS

In 2013, the Bank maintained its investments in the *Sustentabilidade em Construção Civil* (the Sustainability Program for Builders). In an effort to engage the sector, the Bank promoted the sharing of good practices adopted by both the Bank and the market among developers, builders, clients and suppliers. The exchange of experiences takes place in meetings and in the Program's online community.

On the other hand, the *Obra Sustentável* (Sustainable Worksite) is dedicated to recognizing initiatives financed by the Bank that figure out solutions for social and environmental interferences caused by the new building. The development that is in compliance with the program's concepts and criteria is awarded a recognition plaque. In order to retain the plaque, periodical reviews are conducted to check whether the construction site remains as one of the buildings recognized by the program. The program relies on a Good Practices Guide, and an online course on Sustainable Buildings.

BUSINESS PERFORMANCE

Consumer Finance

Santander Financiamentos is in charge of loans outside of the branch network and is the main vehicle for consumer finance in Santander Brazil. It operates with a business mix that diversifies risks and opportunities.

The activity includes four pillars: vehicle financing; commercial partnerships (especially with car makers) WebMotors; and *CDC Bens e Serviços* (Consumer Loans for Goods and Services), with business in sectors such as furniture, tourism, boats, health and technology, to name a few.

Under this model Santander Financiamentos (in a joint effort with its partners) ended 2013 as a market leader both in the vehicle finance market and the Goods and Services Market, with strong operations in core segments, with high growth potential.

Partnerships with carmakers such as Nissan, Renault and Hyundai strongly contributed to the Bank's solid results in this segment. The period also witnessed the expansion of WebMotors, which remains the leader in the online car catalog segment. In 2013, in order to widen its scope, the Bank acquired the website *Meu Carango*, with a strong performance in Northeast Brazil while executing a partnership agreement with the Australian company Carsales, one of the worldwide leaders in online vehicle classified ads, with operations in Asia and Oceania. **G4-13**

The consumer financing activity also evolved in internal channels. The vehicle leasing portfolio marketed in the branch network posted sales of R\$ 3.2 billion, a 16.3% increase YoY.



A Santander Financiamentos customer service stall in a car dealership in São Paulo

SANTANDER FINANCIAMENTOS ENDED 2013 AS THE LEADER IN BOTH THE VEHICLE FINANCING MARKET AND THE GOODS AND SERVICES CONSUMER FINANCING MARKET

SME Segment

The SMEs segment is strategic for Santander Brazil, both for its importance in economic development, with strong job creation, income growth and the excellent business opportunities it offers, considering its characteristics such as low banking coverage, increasing formalization and the improved quality in project management.

The main tool used by the Bank to provide support to SMEs is innovation. Santander Brazil is the only institution in the country that operates in a massive way with a unified service model, which places under a single manager both the individual account and the firm's account for small entrepreneurs; the Bank was also pioneer in launching the *Conta Integrada*⁽¹⁾ model, which brings together the checking account and acquiring services (capturing and processing credit and debit card transactions).

In 2013 the Bank included in its portfolio the products *Capital the Giro Protegido* (Working Capital Protected) and the *Cheque Empresa Protegido* (Corporate Cheques Protected). Both are insurance products that ensure the firm owner the settlement of the loan balance, limited to R\$ 100 thousand, in case of death or permanent disability in case of accidents involving the firm's owners.

Also, the Bank increased its commercial team from 64 to 73 the number of *Núcleos*, which are regional units dedicated to serving and providing support to SMEs.

The combination of a unique services model, with an attractive product offer contributed to the Bank's development in two priority goals in 2013: client acquisition and building client loyalty. Within one year, the active client base grew by 8.2% and the total number of clients deemed to be loyal grew by 15%.

The Bank also expanded the diversification of its revenue mix in the SME segment. The rate of commission as a percentage of the net profit increased from 16.6% in 2011 to 18.6% in 2012 and 23.5% in 2013. This decreased the Bank's exposure to credit cycles and especially to non-collateralized loans, with positive impacts on NPLs. By the end of December, the share of collateralized loans in the portfolio mix was 58% versus 51% YoY.

(1) Learn more - visit <http://tinyurl.com/reanua8>.

+8.2%
GROWTH IN THE ACTIVE CLIENT BASE



Government & Institutions (G&I)

The G&I area serves two segments: governments (federal, state, and local) and the Armed Forces; and institutions from the private sector, with an emphasis on the health services chain. In 2013, the Business Unit posted a 13.4% growth in funding and 22.6% in loans YoY.

The main efforts to attain these outcomes were the opening of 65,000 new checking accounts tied to payrolls; we also retained an additional 105,000 existing accounts in the Bank portfolio; and a closer relationship with the Wholesale Bank. Last year the area effected 106 transactions with the Treasury Sales division and four transactions with the Merger & Acquisition team, in addition to acting as a middleperson in the issuance of securities by clients in the stock markets, with the support of the Debt Capital Markets area.

The Bank has increased its footprint in this sector, with the support of a highly specialized model. The area relies on a commercial team dedicated to the segment, working together with health insurance providers, charity and for-profit hospitals, the *Sistema Unimed* and diagnostic centers and laboratories.

Payroll

The Payroll business is strategic lever for the expansion and loyalty of the client base, both in individuals and corporations. By the end of 2013, the client base that assigned the processing of their payroll to Santander totaled more than 35,000 firms, with over 4 million individuals receiving their salaries and wages through the Bank.

Santander Brazil also has in place a specialized team of managers with direct communication channels with Human Resource Heads in client firms, including a network with approximately 1,300 Service Centers and 1,700 e-Centers supplementing the Branch Network to serve Payroll clients.

The Bank also increased its market share in both the Wholesale and University segments, with a significant growth also in the SME segment. Last year alone the Bank acquired more than new 370,000 individual clients via the Payroll program only.

Agribusiness

Agribusiness is one of the key sectors in the Brazilian economy and is part of the Bank's commercial strategy. In 2013, the Retail Agribusiness area grew by 24% in production due to the good performance of agricultural commodities and the consolidation of the customer service model adopted by the Bank, with the support of authorized technical offices. Under the Bank's coordination, the offices are in charge of collecting, reviewing and submitting the documents in connection with farmers' activities. Last year alone the number of authorized offices grew to 108 from 85.

The Bank financed the entire farming process from sowing costs to sales, plus any loans allocated to the operations, improvement and expansion of production structure and crop storage. By the end of December, the agribusiness credit portfolio totaled R\$ 2.7 billion, a 26.7% growth YoY. The corporate portfolio recorded R\$ 2.3 billion, a 3.1% growth.

Microcredit G4-FS13

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

The Bank chose to work with the guided productive microcredit model and not with the consumer microcredit as the former is inclusive and helps promoting social transformation. The combination of credit and financial guidance helps small entrepreneurs improve their business performance while transforming it into a long-term sustainable project.

Currently, *Santander Microcrédito* is offering the following products to clients: *Capital de Giro Individual* (Individual Working Capital) and *Capital de Giro Grupo Solidário* (Group Working Capital - Credit to Purchase Goods and Services, i.e. loans to purchase machinery or remodeling). G4-FS7

In addition to boosting entrepreneurs' history, microcredit has an indirect economic impact that is highly positive. The program starts a virtuous cycle that benefits the whole neighboring community.

In general, 70% of the income generated by these initiatives circulates within the community, which strengthens small businesses while generating employment to family members and neighbors.

The program broke even in 2008 and has been expanding ever since. It is now the biggest production-oriented microcredit program among the country's private banks. By the end of 2013 the program totaled 124,000 clients⁽¹⁾, in 11 states and more than 600 townships, with a credit portfolio of R\$ 266.9 million, a 12% growth YoY. The portfolio is mainly comprised by women, who represent 70% of the total clients, with a strong concentration in the Northeast (95% of its assets).

NPL ratio for this type of loan is below 2%, considering late payments over 90 days, much below the ratios in conventional credit facilities. This figure reflects the focus on guidance, a key indicator of its success; it shows that entrepreneurs are investing in their business while generating recurring yields to grow in a healthy manner. In 2013, the Bank recorded more than 430,000 guidance visits to entrepreneurs and disbursed a total of R\$ 487 million, which illustrates the growth in this business.

In August *Santander Microcrédito* reached R\$ 2 billion in loans to small entrepreneurs since the inception of the program.



The inauguration of the Paraisópolis (São Paulo) branch.

(1) Includes both performing and nonperforming loans.

Santander Universities

Santander Universities is a Global Division in the Santander Group with the purpose of supporting initiatives focused on higher education, by establishing partnerships and developing relationships with

implemented in 20 countries through a network of agreements with more than 1,070 partner universities, among which are 10 out of the 13 best universities worldwide and the 200 top universities in the Iberian-American regions.

Santander Universities has granted more than 100,000 scholarships in the countries where it operates. The Bank estimates global investments for 2011-2015 of R\$ 1.4 billion, R\$ 255 million of which is set to be allocated to higher education in Brazil.

In Brazil, Santander Universities led the Bank to the top position as the most active bank in Higher Education. By the end of 2013, the division had a network of agreements with 450 universities and 325 branches inside the universities with approximately 2 million clients.

In addition to the Bank's commercial strategy, in Brazil the effort is guided by the Higher Education Support Plan (the PAES, *Plano de Apoio à Educação Superior*) with focus on the most common and relevant topics for academia. The plan includes four pillars: Mobility, Innovation and Entrepreneurship, Technology Transfer and Academic Support.

Among the main projects developed under these four topics in 2013 are the Santander Universities Awards with more than 16.8 thousand

projects enrolled. The awards exceeded R\$2 million in awards and international scholarships, plus online courses on entrepreneurship made available to all contenders.

G4-EC7

Another initiative that brought about excellent results was the *Programa Rio Comunidades*, geared to the training and professionalization of people from communities in Rio de Janeiro in areas where the cultural group AfroReggae is a community leader. In 2013, financial education lectures, initiatives to support entrepreneurship, e-learning courses, international scholarships and computer rooms benefited more than 25,000 people.

In addition the *Programa Amazônia 2020*, focused on federal universities in North Brazil, benefited more than 50,000 people since 2010, though international scholarships, seminars and e-learning courses. The goal of the Program is to benefit more than 100,000 people by 2020.

G4-EC7 G4-FS16



Client with a Fit Universitário card

universities and their value chain (students, young professionals, professors and staff).

Launched in 1996 under the assumption that providing support to higher education is a straightforward, efficient way of contributing with the social and economic development, the initiative has been



Meeting room in a Private Banking office

Private Banking

Santander Private Banking is the Bank's unit in charge of servicing individual clients that are worth over R\$ 3 million. Its activities contemplate a wide range of financial products, banking services, tax planning and consulting services that provide recommendations on investments and asset allocation. As this segment requires highly customized services, the Bank focuses on a close relationship as a key element in its strategy.

To that effect, one of the initiatives is the availability of service offices in which the client enjoys the privacy they need to hold meetings with their Private Banker while designing asset management strategies. In 2013, the Bank opened its seventh

office, this time in Brasília. The other units in place are located in the cities of São Paulo, Rio de Janeiro, Belo Horizonte, Campinas, Porto Alegre and Curitiba.

The close relationship has generated a substantial improvement in client satisfaction. According to a survey conducted by the *Instituto Stiga* in 2013 the number of clients that considered Santander Private Banking better than competition tripled versus the 2011 figures and was above the number seen in 2012.

Sustained by its strategy of a closer relationship with the client, the Bank has enjoyed the expansion of the Private Banking market, and

grew 11.3% in 2013, even under a scenario of low dividend payout in the stock market and just a few IPOs and Mergers & Acquisitions, which help boost the segment. According to ANBIMA, the average growth rate for the period was 9.5%.

BUSINESS PERFORMANCE

Microcredit loans

R\$ **487** million

Santander
Asset Management

+5.5%

Agricultural loans - Individuals

+26.7%

Santander
Universidades

450 partner
universities

Asset Management

Santander Asset Management (SAM) operates in third party asset management via investment funds and managed portfolios for clients in the segments of Retail, Private Banking, Corporate and GB&M, in addition to institutional investors.

For SAM, the 2013 highlights were the partnership between the Santander Group and the American private equity firms Warburg Pincus and General Atlantic. Together, the firms now hold 50% interest in a holding company that integrated 11 fund managers with offices in Europe and Latin America, including the Brazilian branch (for more details please see page 25).

Another highlight was the launch of new products that provide the Brazilian investor with access to foreign markets. Sustained by its global expertise and in opportunities in international stock markets, the firm made available to Brazilian clients a new family of funds investing in global stock funds.

By the same token, SAM launched two protected capital structures with returns linked to the American stock market performance: the *Capital Protegido Cesta Americana Multimercado* (with returns linked to the yield of a basket comprised by the stocks of Apple, Coca-Cola, Google, Macy's & The Walt Disney) and *Capital Protegido S&P 500® Multimercado*, with returns linked to the growth of the S&P 500 Index. Both products reinforce the SAM leadership in Protected Capital Funds in Brazil.

In the institutional segment, SAM launched a product to invest in funds by several asset managers in the market with value strategy (i.e., funds that invest in shares that are significantly below estimates), with a diversified management in the stock market.

The manager also continued its effort to simplify the range of funds for all segments. In total, SAM achieved a 36% average reduction in its product range.

Assets under management closed the year with an 8.4% growth, to R\$ 123.76 billion⁽¹⁾. SAM retained its maximum rating by international rating agencies Standard & Poor's (S&P) and Moody's in Brazil.

A pioneer in responsible funds in Brazil, in 2013 SAM made an effort to include the sustainability criteria in the selection of assets that comprise the fund portfolios in the country. Throughout the year, 173 companies were assessed and monitored according to an internal methodology, in line with the criteria of the Principles for Responsible Investment (PRI).

Gross funding - Pension

R\$ **3.2** bilhões

Individual and
Property Insurance

+77%

Capitalization Security

R\$ **1.2** billion

Corporate
+15.1% growth in the
asset portfolio

Insurance, Pension Funds and Capitalization Security

Since 2011, the Insurance/ Private Pension at Santander Brazil has been working in a partnership with Zurich Seguros, one of the largest insurance companies worldwide. Back then the Santander Group executed an international agreement with the Swiss giant, with the objective of joining Zurich's expertise in product design and Santander's distribution power. With the partnership in place, a joint venture was created i.e., Zurich Santander Brasil Seguros e Previdência, which took over the responsibility of developing products. The Bank, in turn, became the exclusive distributor of the joint venture products.

Upon the consolidation of the partnership in 2013, Santander Brazil posted a 25% growth in insurance commissions, totaling R\$ 1.72 billion. Two main business lines were the highlight. In loan-related products, the push came from the launch of the first products designed for Corporate clients, the *Prestamista Capital de Giro* and the *Prestamista Cheque Empresa*. In the Open Market products, comprising individual and property insurance, sales volume grew by 76%, boosted by Life Insurance, Auto Insurance and Business Insurance.

In Private Pension, the Bank recorded a gross funding of R\$ 3.2 billion, with the launch of new products both in Retail and Private Bank, such as the *Novo Fundo Multi Ativo* (a fund with variable income management, according to the changes in the economic environment) and the *Fundo Conservador DI* (100% in fixed-income securities).

In Capitalization Security (long-term savings with prizes) the Bank also posted a growth with revenues of R\$ 1.2 billion, up 10% YoY. The Bank retained a good performance in the *Reserva Protegida* product (focused on Corporate clients) with a growth rate above 50% YoY.

SANTANDER BRAZIL POSTED A 27% GROWTH IN INSURANCE COMMISSIONS,
TOTALING R\$ 1.75 BILLION

(1) The ANBIMA Rank of Third Party Asset Management.

WHOLESALE

The Santander Brazil Wholesale Bank serves corporate clients with revenues in excess of R\$ 80 million and provides high added value services to a number of segments such as stock markets, mergers and acquisitions and access to international markets.

In 2013 the areas continued their process of a closer relationship in order to improve synergy and cross selling. Despite the mild economic activity scenario, a bearish stock market and strong currency exchange volatility, the Wholesale division achieved growth.

Corporate

In 2013 the Corporate segment, serving local and multinational companies with revenues in excess of R\$ 80 million managed to increase customer satisfaction and team productivity, despite the less than favorable economic scenario and a trend for more competitive margins. The strategy was to enhance a close relationship with clients through its managers all over the country by capitalizing on the Bank's capacities while offering solutions that meet the demands of each organization and strengthening client loyalty and the services provided.

The outcome of this customized service effort was the improvement of client satisfaction ratio for the second consecutive year, as measured by the IPSOS Institute, a market intelligence survey firm.

The improvement of a closer relationship with and satisfaction of clients had a positive impact on earnings: a 14.9% growth in the total asset portfolio and up 11.3% in revenues, due to the increase in loans and fee income. The area also strengthened the strategy of improving the risk profile of the asset portfolio while reducing impacts and closing the year with a lower cost of credit YoY.

Santander Global Banking & Markets (GB&M)

Santander Global Banking & Markets (GB&M) is a global business unit in charge of servicing clients who, due to their size, complexity or sophistication need customized services and/or Wholesale products with high added value. The business focuses on financial services to large local and foreign conglomerates, simultaneously with the Proprietary Desk and Treasury activities. The offer includes essential services (Loans and Collateral, Cash Management, Investments and Foreign Exchanges) and high complexity, customized solutions (Mergers & Acquisitions, Credit Market, Shares, Derivatives and Structured Financing), while also servicing clients from other Bank segments such as Corporate, SMEs, Private Banking and Retail.

Clients rely on segmented services according to the industries they operate in (Telecommunications, Retail, Aviation and Logistics, Manufacturing, Energy, Building and Infrastructure, Natural Resources, Food, Agribusiness and Financial Institutions) while benefiting from a global structure in financial services and the local expertise by the Bank in the different markets it operates. This makes Santander the most local bank among the international competitors and the most international bank among the local competitors.

In 2013 the GB&M strategy was focused on the relationship with clients via the implementation of a new coverage model while strengthening the partnership with other Bank segments. For this purpose the unit inaugurated an area that is exclusively dedicated to cross selling which stimulates the sale of products under the GB&M management to other segments. In addition, the unit attained its goal of sustainable growth via the diversification of results while focusing on clients under the Tier 2 and 3 classification, and the increase of its asset portfolio with focus on funding, capital and liquidity active management and an increase in product capacity.

Despite a complex scenario in Brazil, with mild economic activity, volatile exchange rates, a bearish stock market and high interest rates, the GB&M loan portfolio grew by 22% YoY. The division had a 16% growth in the number of clients.


Below is a summary of the activities for each business area comprising the division.

Equities

The Equities area acts as an advisor while executing share purchase and sale orders for individuals and institutional investors (especially equity fund managers in Latin America, the United States, Europe, and Asia). The team makes decisions about the best deals based on reports developed by analysts in the Strategy and Research areas.

In the Individual segment, strategies show a significant performance throughout the year. While the Bovespa Index declined by 15.5%, the *Carteira Dinâmica* attained a yield of 11.5% in 2013. This product is more flexible than the traditional portfolios and allows the investor to adapt their portfolio to market changes using bolder strategies. The result, however, was even stronger in short-term strategies. The directional purchase/sale strategies resulted in a yield of 33.6%.

GB&M
+15% in the number
of clients



BUSINESS PERFORMANCE

In the institutional investor segment the Bank attained significant results despite the market slowdown. As a result of an increase in the client base, the Bank posted a 7.9% revenue growth YoY. Among the key advancements is the implementation of an e-trading tool which streamlined processes while generating new opportunities and the launch of a commodity execution platform.



Global Transaction Banking (GTB)

The Global Transaction Banking (GTB) area includes offices such as Cash Management, Trade Finance, Local Assets and Custody, focused on the Bank's corporate clients.

In 2013, due to a more selective credit scenario, Cash Management products were on the limelight and this led the Bank to innovate its product portfolio such as a new solution for Court-ordered cash seizure management, the Mobile PJ solution and the Cash Management solution for exporters. As a result the area posted an average growth of 29.3% YoY in the transaction volume both in payments and collections.

With the activities of Trade, Export & Commodity Finance (TECF), in 2013, Santander became the 2nd largest private-sector bank in Trade Finance, due to a combination of factors such as the improvement of liquidity in foreign currencies, the wide range of products and services and the effort in asset generation. Among the innovations in the year we highlight the first transaction in local currency with an Export Credit Agency (ECA), in connection with a loan for a cement plant; a loan for the construction of a hydro power plant in Angola; and the development of new products for clients such as a Letter of Credit in Chinese Yuan and local currency and indexed transactions using long-term interest rates ("TJLP") and the consumer price index ("IPCA"), to name a few.

As for the Local Assets office, the BNDES onlending loans was the main highlight of the year, with a 50% growth YoY; this led to a 2p.p. growth in market share. These outcomes reflect the implementation of a strategic plan in all Bank segments, including work flow reviews to streamline the agreement approval process. In Agricultural Loans, the Bank allocated all mandatory loans (R\$ 5.9 billion) in more than 9.2 thousand agreements in the crop year 2012/2013 (July-June). In the Wholesale Loans segment, Santander Brazil boasts a portfolio of R\$ 58 billion in 2013 (11% growth YoY).

In Custody, the Bank was considered as the service provider with the highest level of client satisfaction in the Brazilian market according to an annual survey conducted by the Global Custodian magazine. In 2013, the platform for processing the portfolio for non-residents was delivered, and this allowed the Bank to operate in a market with assets in excess of R\$ 1 trillion, while consolidated the franchise's name among the key clients in the Private Equity segment.

Corporate Finance

The Corporate Finance Office, in charge of restructuring operations and the financial advice activities to the Bank's corporate clients, is divided into two areas: Equity Capital Markets (ECM), in charge of clients' public offers in the stock market; and M&A (Mergers and Acquisitions), in charge of mergers & acquisitions operations.

In 2013, the ECM area was the coordinator of a number of stock offerings in Brazil; like the IPO transactions for Via Varejo S.A., Ser Educacional S.A., Smiles S.A. and Alupar Investimentos S.A., and the Public Offer for the acquisition of Arteris S.A. shares. Santander also had a key role in other six IPO/follow-on transactions involving the following Real Estate Investment Funds: Santander Agências FII, General Shopping Ativo e Renda – FII, TB Office and BTG Pactual Corporate Office Fund.

In Mergers & Acquisitions, the Bank ended 2013 in the 4th position in the Brazilian ranking of transactions announced in the year, according to Bloomberg, with a total volume of US\$19.8 billion in 12 operations;

the Bank highlights the sale of a 20% interest owned by Petrobras in the stock of Companhia Energética Potiguar S.A. to Global Participações em Energia S.A.; the sale of 100% interest of Marfrig Alimentos S.A. in Seara Brasil and the Uruguay leather division of Marfrig to JBS S.A.; the sale of seven windmill farms by Casa dos Ventos to Companhia Paranaense de Energia – Copel; the sale of Petróleo Brasileiro S.A. shares - Petrobras, equivalent to 49% interest in Brasil PCH, to Cia Energética Minas Gerais – Cemig; and the sale of Telefonica Brasil S.A.'s MMDS client portfolio to SKY.

4th

IN THE BRAZILIAN RANKING
OF ANNOUNCED TRANSACTIONS,
ACCORDING TO BLOOMBERG

Credit Markets

At Santander Brazil the Credit Markets Office is comprised by four areas: Debt Capital Markets (DCM), in charge of issuing fixed-income securities in the stock markets; Project Finance, working jointly with project structuring and financial advising; Structured Lending & Distribution (SL&D), which structures

Debt Capital Markets (DCM) –

Despite the tight local monetary conditions and as a result a drop in the volume of issuances in the local stock market, DCM increased its market share in Brazil to 7.6%¹ from 3.2%¹. In 2013, the Bank played a role in 23 operations in the local market, which represented a 53% grow versus the 15 issuances in 2012, for a total of R\$ 2.6 billion⁽¹⁾.

In the international market (which also saw a drop in the overall volume of emissions), the Bank achieved a significant growth of 40% in revenues with our diversification strategy in the profile of any such operations. In 2013, Santander participated as coordinator in 15 banking and corporate bonus issuances in the international market, totaling US\$ 1.7 billion. One of the highlights of the year was the funding in reais and dollars by Construtora Norberto Odebrecht, simultaneously with a tender offer for bonus shares in the international market.

Throughout the year, Santander was confirmed as a pioneer while playing a successful role in IPOs for five companies.

Project Finance – The investments in infrastructure are a key topic in the country's development agenda, with the Bank's full commitment. In September, the Bank announced through its Global Chairman Mr. Emilio Botín, that it would make

available the initial amount of US\$ 10 billion to support its clients in Brazil, Spain and other countries in opportunities such as port, airport and highway auctions.

With this focus, Santander Brazil participated with winning players in a number of auctions in sectors such as Energy, Logistics, Transmission, and Utilities, totaling R\$ 32.6 billion. This helped boost our results in Project Finance. Last year the credit portfolio in the area grew by 25%, with revenues up 21%.

The sizeable investment agenda in infrastructure by the local government going forward and the Bank's commitment in supporting this process have placed Santander Brazil in a leadership position in the segment with Project Finance having become a key strategic area for the Bank in the years to come.

Structured Lending & Distribution (SL&D) –

The SL&D area is divided into three segments: Syndicated Lending, in charge of syndicated loans with the participation of two or more banks; Acquisition Finance, providing advice and financing in mergers and acquisitions; and FI Distribution, a desk that distributes fixed income instruments for institutional investors. In 2013, with the performance of two additional transactions, Santander reaffirmed its leadership

in financing for the acquisition of two telecommunication towers in the country; the Bank has financed the acquisition of more than 10,000 towers since 2010.

Asset & Capital Structuring (A&CS) – Among other activities, this division is responsible for making proprietary investments in infrastructure and renewable energy projects. In 2013, revenues from business in this segment grew by 35%.

Santander Brazil is the only bank involved to such an extent in wind farms in the country as a proprietary investor, a competitive advantage inherited from the Bank's experience in investment and advisory services in the sector in Europe. In 2013 the Bank became the controlling shareholder in a 170 MW windmill farm in the state of Bahia, with an estimated total investment of R\$ 650 million, the Bank's largest investment in A&CS investment portfolio.

The bank holds an ownership interest in five windmill farms in the states of Rio Grande do Norte, Rio Grande do Sul, Bahia and Ceará. These farms will produce a total installed capacity of 500 MW when completed. This places Santander Brazil as the undisputed leader in renewable energies among the banks operating in Brazil while reaffirming the Bank's commitment in integrating business and sustainability in a context of transition to the low-carbon economy.

Treasury

Our Treasury department is divided into Sales (derivative, fixed income and foreign exchange transactions for clients in all segments, including corporate, institutional,

Private Banking and Retail); and the Proprietary & Pricing Desk, in charge of the Bank's proprietary investments and transaction pricing and the risk management of a wide range of products and structures for clients, both local and foreign.

In 2013 the performance of the Proprietary & Pricing Desk warranted a significant footprint in products such as share prices, more competitive prices for clients and sustainable results for the Bank.

In turn, the Sales area benefited from a closer relationship with Treasury and other business units, especially Wholesale, which resulted in cross selling and productivity gains for the Bank. As a consequence the Treasury commercial revenues grew by 24% YoY, despite the mild economic activity.

In derivatives, the Sales team conducted the longest hedging operation ever effected by Santander, a 20 year swap to protect leasing expenses of a GB&M client. As a result, the bank went up in the derivative Cetip ranking to #3 from #4 previously in derivative inventory.

In fixed income, the strongest advancement took place in the Corporate segment, with an investment product inventory growth of 22.4% YoY. In foreign exchange transaction the Bank highlights the performance in the local market with sectors such as multinational companies and Oil & Gas.



A Windmill Farm in the state of Ceará: Santander Brazil is a shareholder

financing to acquisitions in syndicated loans; and Asset & Capital Structuring (A&CS), in charge among other things of making proprietary investments in infrastructure and renewable energy projects. Credit Markets revenues in 2013 increased by 19%, while the volume of transactions rose by 9%.

(1) Anbima Ranking – Fixed Income Breakdown [Dec/13].

PRIVATE EQUITY

Equity Investments

The Bank's Equity Investments area is focused on identifying investment opportunities in business with a high potential for growth and quality management while providing attractive financial returns for the Bank. Such investments are made with the Bank's proprietary assets and favor businesses that are part or could potentially become part of its client base.

Created in 2008, this area has already reviewed more than 180 opportunities in a number of sectors and has invested a total of R\$ 1.1 billion. In 2013, we highlight the payout of R\$ 59 million in dividends and interest on equity to the Bank by Transmissora Aliança de Energia S.A; and the increase by R\$ 112 million in the stock held by the Bank in Sete Brasil Participações.

In line with our conduct of investing in innovative projects focused on sustainability, Santander Brazil also completed an investment in the stock of Ambievo, a newly created company with business that comprise the development of sustainable solutions for land cleanup and manufacturing degreasing.

MANTIQ

Mantiq is the private equity fund manager of Santander Brazil. Its role is to create profits for the capital of clients via investments in privately-owned companies with strong potential for growth. Focused on sectors such as infrastructure and oil & gas, the company closed the year with approximately R\$ 2.4 billion in managed assets, which places it as one of the top asset managers in the country in the infrastructure sector.

As of December 2013, Mantiq managed four funds: InfraBrasil, Caixa Ambiental, Brasil Petróleo I and Brasil Petróleo II. In 2013, the committees for these funds approved investments for the amount of R\$ 308 million, of which R\$ 190 million were placed by December. In this context, the first investments of Funds Fundos Brasil Petróleo I and Brasil Petróleo II were effected, with the completion of the Caixa Ambiental investment period.

In a favorable position for focusing its operations on sectors that are deemed priority in the country's development agenda, Mantiq expanded its activities in 2013 while enjoying a gross revenue growth of 4.7%, arising out of management fees, with total revenues of R\$ 14 million.

The company is also one of the investment engines of Santander Brazil in renewable energy. The Bank supports this sector via the A&CS and Equity Investments areas while strengthening its position and becoming a member in funds managed by Mantiq. The Bank invested approximately R\$ 40 million in the funds InfraBrasil and Caixa Ambiental, with an ownership interest in companies such as Renova (wind power), Cerp (Small Hydropower Plants) and Sikué (biomass). Together, the five companies in the sector that are part of the asset manager's portfolio have a potential for the generation of 600 MW.

MANTIQ, SANTANDER BRAZIL PRIVATE EQUITY MANAGER, EXPANDED ITS GROSS REVENUES BY 4.7%, TO R\$ 14 MILLION



Operations at Ambievo a company in which Equity Investments has an ownership interest.



R\$ **1.1** BILLION
TOTAL INVESTED BY THE EQUITY
INVESTMENT AREA SINCE ITS
INCEPTION IN 2008



- SANTANDER BRAZIL'S OPERATIONS ARE DIVIDED INTO TWO MAIN AREAS: COMMERCIAL BANK AND WHOLESALE BANK.
- IN EVERY SEGMENT, THE BANK'S STRATEGY IS TO BECOME A SIMPLE BANK WITH A CLOSE RELATIONSHIP WITH THE BANK'S CLIENTS, INCREASING LOYALTY AND TRANSACTIONALITY.
- IN 2013 THE BANK PROVIDED LOANS OF R\$ 2 BILLION IN PROJECTS AND INITIATIVES IN BUSINESSES THAT PROMOTE SUSTAINABLE DEVELOPMENT. IT'S THE WAY TO INFLUENCE SOCIETY TOWARDS THIS PATH WHILE INTEGRATING ECONOMIC RESULTS WITH POSITIVE SOCIAL AND ENVIRONMENTAL RESULTS.

32.9%

RISE IN INDIVIDUAL MORTGAGE
LOANS, THE HIGHEST GROWTH
RATE IN THIS SEGMENT

INTANGIBLE ASSETS

30,000

EMPLOYEES TRAINED
IN FINANCIAL GUIDANCE

THE SANTANDER EXPERIENCE

The management of intangible assets is based on the experience the brand provides to different stakeholders

The value of a business in the modern world is increasingly associated with the perception of how it relates to all its stakeholders and to the community where it operates. Whereas a company used to be assessed purely in relation to its inventory, equipment and property, the focus today is on how it deals with people management and client relationship, how it uses the creativity of its personnel in the development of its business, in the research and technology developed, in the integrity of internal processes, to name a few, otherwise known as intangible assets.

Santander Brazil believes there are three different categories of intangible assets: Human Capital, Organizational Capital and Relationship Capital. How stakeholders perceive the company putting its belief in specific experiences based on these three factors is what the Bank calls brand. And it is based on the management of the brand that Santander manages its intangible assets.

- Human Capital: encompasses people, individual knowledge, skills, values, creativity.
- Organizational Capital: is also known as Information Capital. It includes factors such as management model, technology/systems, production systems and the distribution and generation of content.
- Relationship Capital: clients, patents, intellectual property rights, partnerships, covenants, agreements, suppliers, society and other stakeholders comprising the relationship network and enabling the company to achieve its business objectives.

INTANGIBLE ASSET AND BRAND VALUE MANAGEMENT

*By Eduardo Tomiya

In the past, a good investment analyst was required to have an in-depth knowledge of accounting, of a company's balance sheets and its asset and liabilities structure. In other words, an analyst needed to possess a thorough knowledge of each company's tangible assets.

Nowadays, in addition to such knowledge, a successful analyst needs to understand the basics of the business and its competitive edge in the eyes of the main stakeholders. This share of the company's value, which accounts for over 2/3 of shareholder value, is what we call intangible assets.

As a rule, Intangible Assets at financial institutions are comprised by three major elements: human capital (people),

organizational capital (channels and products, processes) and relationship capital (relations with clients and society).

The management of intangible assets is based on two factors: an understanding of how each of these factors is generated internally by the company (Research & Development, experience with regard to points of contact, etc.); and extracting value from each intangible asset (differentials seen compared to competitors, expectations of higher prices, greater volumes, lower costs, lower risks, and, consequently, higher market multiples for the company).

Consistency and balance in the process of generating and extracting value from intangible assets give rise to attributes and

associations in the minds of consumers and investors. This set of attributes is what we call brand equity. The evaluation of a brand is the connection between the value of intangible assets and brand equity.

As a result, brand management is far from managing logos or advertising activities. This challenge involves understanding value levers by perceiving a balance between generating and extracting value from intangible assets, assessing whether or not a brand has a competitive edge, and, above all, providing tools to enable each of the company's employees to deal with problems.

* Eduardo Tomiya is general director of BrandAnalytics, Consultoria – a branch of Millward Brown Optimor South America, WPP Group.

INTANGIBLE ASSETS

The brand

Santander believes that what generates brand value is delivering the organization's beliefs and values when doing business. In other words, creating a network where what is said is consistent with what is done throughout the relationship with clients and other stakeholders. The Bank calls this the Santander Experience.



Stakeholders must increasingly acknowledge this alignment between discourse and practice in order to increase the value of the intangible "brand".

Globally, the Bank wishes to create the Santander Experience based on four cornerstones. These cornerstones should guide internal and external

communication campaigns, in addition to decisions involving the development of products and services for clients and policies for supplier approval, to name a few. They are:

Simple and Close

A user-friendly bank using a clear and easy to understand language. It is interactive and understands the client's current reality, providing solutions to facilitate decision-making.

Win Win

A bank which provides a healthy cost-benefit ratio because it is concerned about its clients' needs.

Trust

A bank which is transparent with regard to all its relations and which honors its commitments at all times.

Pride

A bank its clients and personnel are proud of.

Relationships

People Management

In an age of growing competition for talent, organizations are facing an increasing challenge to create a value proposition as a means of standing out from other companies, both in order to attract and engage their employees.

In order to manage an organization composed of around 50,000 employees, the Bank uses the Employee Value Proposition (EVP or Position as an Employer), a tool which helps people make the best decision in relation to attracting the employees that best fit in with the organization's culture, generating a sense of pride of working for the company and increasing the likelihood of an employee remaining with the company on a long-term basis.

Grupo Santander and the financial markets where it operates have undergone significant changes in recent years. Aware of this trend, the Group has reviewed its position as a global employer - or in other words, what attributes and experience Santander offers to its employees.

Created in 2013, the project is due to be launched and implemented in 2014, and aims to provide the Bank's employees with a unique experience.

Training & Development – The main objectives in the area of Education and Training in 2013 were advancing on the leadership development program and the implementation of a training strategy which provides such leaders with support in their duties. The Bank also promotes local and external training programs in skills such as consultative selling, differentiated client service, the macro-economic scenario and strategic planning, aimed at improving client relationship. In 2013, R\$ 108 million⁽¹⁾ were invested in personnel training, allocated to educational and training activities, in addition to MBA/graduation and language course scholarships and mandatory certificates.

■ TURNOVER BY GENDER G4-LA1

	Turnover (%)		
	2011	2012	2013
Men	14%	15%	16%
Women	10%	9%	14%
Total	11%	12%	15%

The project will revamp the Group's position, thereby guaranteeing the employer brand maintains its integrity and identity. This process involved a thorough analysis of internal and market data, a survey conducted among employees, in addition to classroom work groups with participants from different countries.

■ EMPLOYEES TRAINED BY TOPIC*

Topic	Number of people		
	2011	2012	2013
Updates on social/environmental legislation and regulations of the Central Bank of Brazil	11,840	11,369	8,469
Miscellaneous voluntary social/environmental commitments (Green Protocol, Global Compact)	4	258	292
Specific voluntary social/environmental commitments (the Equator Principles, PRI)	6	1	-
Institutional eco-efficiency, environmental awareness and education	204	2,553	101
Social/environmental corporate policy	30,742	10,965	7,326
Products and services with social/environmental advantages	814	27*	1,550
Human rights	7,816	6,422	6,232
Personal financial education	2,214	25,547	18,392
Client guidance on the best use of products and services offered by the Bank	17,656	16,522	30,625
Purchasing policy	-	60	46
Official social/environmental policies and procedures in other business lines (e.g.: third-party asset management, private investment, stock markets and mergers and acquisitions market, market research, treasury, foreign trade, private banking, insurance, etc.).	-	334	7,326

*An employee may have concluded more than one course on topics in relation to sustainability.

(1) The item Training & Development recorded the amount of R\$ 140 million in the financial statements, as it also includes recruitment costs. The financial statements can be viewed at www.santander.com.br/ri - Central de Resultados section.

INTANGIBLE ASSETS

During this period the Bank conducted programs including the Master in Retail Business Management, Santander Financing and Risk, the training of 95% of the Select teams and the mapping of knowledge in the area of Risk.

Another example is the Leader Program, which assists leaders in their performance as a mobilizer of culture, in the alignment of leadership skills and business strategy and in improving the Bank's results, by pursuing client satisfaction/loyalty.

As a governance measure in 2013, over 34,000 employees were trained in anti-corruption in the form of lectures, meetings and classroom training sessions, in addition to online courses on Codes of Ethics, the Prevention of Money Laundering, Information Security and Fraud Prevention. **G4-SO4**

Engagement – The Bank measures employee satisfaction and engagement via Engagement Surveys. Highlights of the different initiatives promoting the engagement of its employees in 2013 included the Institutional Engagement Committees, area Action Plans and Leadership Development activities.

Another initiative which enjoys widespread internal participation is *Sustentabilidade Pra Todo Lado* (Sustainability All Around), a challenge which invites employees and interns to test their knowledge on the subject and to put sustainability into everyday practice, both in and out of the work environment. Around 11,000 people (21.6% of personnel) enrolled in the initiative in 2013.

Diversity – In order to increase internal diversity and value its different stakeholders, Santander Brazil addresses diversity (gender, racial, sexual, disabled people, etc.) in a transverse manner in its management model, as part of the Human Resources policy.

EMPLOYEES BY REGION AND GENDER **G4-10**

	2011		2012		2013	
	Men	Women	Men	Women	Men	Women
Midwest	820	1,024	802	1,047	758	976
Southeast	1,697	2,074	1,651	2,080	15,545	23,302
North	323	415	292	417	244	403
South	17,673	25,149	17,069	25,135	1,959	2,885
Northeast	2,195	3,194	2,185	3,314	1,580	1,969
TOTAL	22,708	31,856	21,999	31,993	20,086	29,535

EMPLOYEES BY AGE GROUP

	2011	2012	2013
14 to 19 years of age	200	112	55
20 to 29 years of age	21,051	20,258	16,869
30 to 39 years of age	18,889	19,870	19,492
40 to 44 years of age	4,971	4,756	4,477
45 to 49 years of age	4,946	4,572	4,178
Over 50 years of age	4,507	4,424	4,550
TOTAL	54,564	53,992	49,621

Disabled people **G4-FS14**

Santander Brazil enables over 2,700 employees with a physical, hearing or visual impairment to develop in the same conditions as other employees. With this in mind, the Bank has made its facilities accessible. The five administration buildings are equipped to accommodate people with physical disabilities, as is the branch network, which has been almost totally (98%) adapted to provide for this group of people.

Furthermore, Santander uses internal tools such as software for people with a visual impairment, translation into LIBRAS (Brazilian sign language system) for people with a hearing impairment and accessible facilities and services for both employees and clients, such as specially adapted ATMs and call centers attending to the hard of hearing.

Gender Diversity

Women account for 59% of the Bank's workforce. As a means of ensuring the specific needs of women are respected and met, Santander conducts activities such as the *Programa Gestante* (pre-natal monitoring and guidance for future mothers provided by a multi-disciplinary team); the implementation of breastfeeding support areas in the administration buildings; and enrollment with the *Mulher 360* movement (a corporate movement for female economic development), to name a few.

Sexual diversity

Santander Brazil is one of the leading companies in the country with regard to the extension of employee benefits such as medical and dental care, pension funds, mortgage loans and life insurance for same-sex partners, and they are also taken into account in the composition and income for purposes of calculating mortgage loans.

Age diversity

Today, the Bank has four different generations working in the same environment, a situation which demands both the development of young people and the recruitment of senior employees, always geared to reinforcing the commitments of the Santander Experience.

In the former case, the most noteworthy initiative is *Caminhos e Escolhas* (Pathways and Choices), a social network created to provide professional guidance to young people throughout the country and which is also used to attract/select young people to take an internship or a job with the Bank. The platform provides activities and support resources for career guidance, including games and workshops addressing financial life, human rights and other issues. The initiative currently boasts over 300,000 users



Communication Executive team monitors SAC activities during the Leader Program

(up 30% on 2013). Over 4,000 employees and interns have joined the company via this platform. **G4-FS16**

Also geared to younger audience, the Bank participates in the *Programa Jovem Aprendiz* (Young Apprentice program), which aims to develop the career of young people in a vulnerable socio-economic situation with regard to the work market. Over 930 young people took part in this program in 2013.

INTANGIBLE ASSETS

Clients

In line with the Bank's mission, based on client satisfaction and trust as key elements, the focus in 2013 lay in strengthening relationships and ensuring they are increasingly close-knit and long-lasting.

One of the activities was the creation of a new model to build client loyalty, which strives to intensify the client's use of the Bank's services by means of a close relationship



SAC customer support service team in São Paulo

and the provision of products and services geared to the client's needs. The introduction of this model involved the comprehensive training of the commercial network and the implementation of the Bank's own tools, such as the loyalty panel, which enables managers to monitor the transaction levels of their portfolios.

Santander has also enhanced the governance in the relationship with clients by an internal restructuring. In the second half of 2013, the Quality Department, in charge of monitoring and managing business relations, became part of the Vice-Presidency of Strategy, which strengthens the issue within the Bank and places it at the center of the Organization's strategy.

Another measure was the launch of a program designed to map and correct promptly any issue which has caused client dissatisfaction. The initiative involved the creation of an area on the internal social network to enable all the Bank's employees to submit suggestions for improvement. The first topic was "to improve the service which deals with clients' complaints and requests, by attempting to solve them on the first contact". In less than two months over 10,000 employees took part, submitting 942 ideas, 58% of which were approved for implementation.

The stance of the Bank over the year was reflected in an improvement in satisfaction levels. Taking all the client service channels into account, overall complaints dropped by 8%, despite a major increase in the commercial base, which rose by around 2 million clients. The reporting of incidents to the Ombudsman department also improved, falling by 14%. The number of complaints submitted to the Brazilian Central Bank, however, rose by 39% and is one of the main challenges for 2014. **G4-PR8**

	2012	2013	Δ 2013 vs. 2012
SAC	1,533,714	1,400,715	▼ -9%
PROCON	41,769	43,869	▲ 5%
Ombudsman	37,328	32,057	▼ -14%
Central Bank	21,699	30,163	▲ 39%
TOTAL	1,634,438	1,506,804	▼ -8%

■ % COMPLAINTS RESOLVED WITHIN 5 BUSINESS DAYS

Channel	%
SAC	99,91
Ombudsman	83,32

Suppliers

Financial institutions such as Santander Brazil possess a value chain composed of companies largely from the services sector. The Bank's most active suppliers include companies from the security, transportation of valuables, technology and Call Center sectors. The Bank ended the year with 1,437 active suppliers. **G4-12**

All the Bank's agreements require suppliers to sign a clause committing to social/environmental responsibility in line with the guidelines of the Global Compact - a United Nations (UN) initiative for the adoption of globally accepted practices concerning issues such as human rights, labor relations, the environment and anti-corruption, to which the Bank is a signatory. **G4-SO4**

In addition to the approval process, whereby suppliers are assessed in technical, administrative, legal and social/environmental terms, the Bank also uses a Supplier Qualification Indicator (IQF), which has been applied to high-impact services such as security, logistics and call centers since 2010. 93 companies were assessed under this indicator in 2013.

Last year, the Office of the Inspector General (CGU in Portuguese) included Santander on their register of companies committed to ethics and integrity in the work environment (Pró-Etica Register).

Suppliers which are critical from a social and environmental viewpoint (environmental liabilities, bonded labor, etc.) are subject to a process of special identification. Not a single supplier was rejected in relation to these aspects in 2013.

The Bank also held two events with 80 suppliers from critical sectors from a social and environmental and human rights viewpoint (civil construction and call centers), with the aim of presenting and getting to know



Suppliers from critical sectors took part in the sustainability event at the headquarters of Santander Brazil

the best practices in the sector and engaging these companies with regard to sustainability and corporate social responsibility. **G4-FS5**

Technology

New Data Center – Covering an area of 800,000 m² and in service since early 2014, the new Santander Brazil Data Center represents the most important development in the area of technology at the Bank in recent years. Located in Campinas, upstate São Paulo, the new Data Center was designed to ensure high levels



The new Santander Data Center in Campinas (SP)

of security, the standardization and optimization of activities and maximum energy efficiency and savings in the use of natural resources. It is the only center in Latin America to be given the maximum rating by the system which assesses the capacity and availability of data centers (Tier IV, with 99.995%

availability) in the design and implementation phases, resulting in major gains in processing (88,000 MIPS of installed capacity), storage (1.4 PetaBytes) and online transactions (average capacity of 210 million transactions per day, with the approximate amount of 6,700 transactions per second on peak days). The new Data Center is also a case of construction eco-efficiency, highlighted by an average reduction of 30% in the consumption of energy, systems for the reuse of rainwater and smart installations for the use of sunlight and cooling.

Mobility Strategy – In recent years Santander Brazil has invested in and consolidated a technology infrastructure based on the corporate layer model, in which the foundations support the development and provision of agile, safe and reliable products and services to the end customer on different platforms.

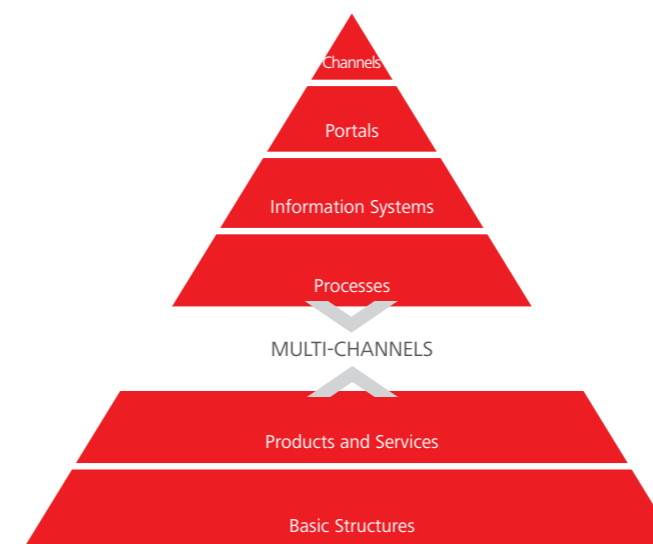
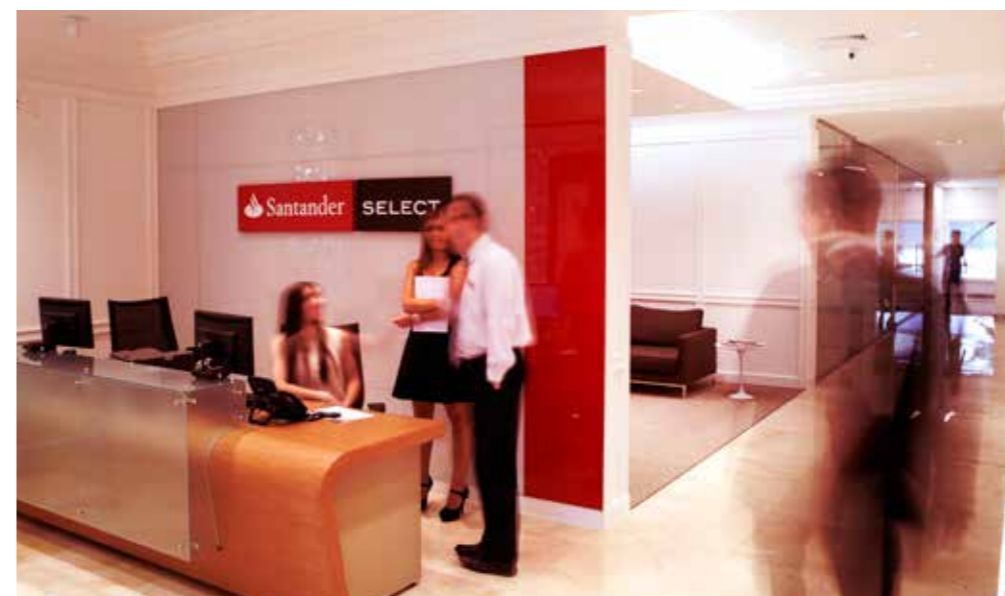
Based on a solid architecture of systems and software and in line with the concept of “Planning in order to Grow”, this strategy ensures faster delivery and increased efficiency on mobile service channels such as tablets and smartphones. Moreover, this helps the Bank achieve the levels of technology demanded for a multi-channel banking service model, which will be the trend for the next few years.

Information Security –

Information security is a prerequisite in the relationship between the client and the Bank. As such, Santander invests heavily in security mechanisms for both its client service channels and systems.

With this in mind, the Bank adopts technologies and processes such as the Protection Module, Machinery Registration, Payee Registration, SMS Token and Physical Token for Internet Banking; the reading of card chips, security passwords and keys for ATMs; and electronic keys and card passwords for call centers.

The Information Security area also features preventive processes, with the regular review of accesses to systems, directories and databases regarded as critical to business, in order to ensure these accesses are compatible with each other, with the relevant position, the area and the tasks performed. Other important practices include the management of EHTs (Ethical Hacking Test) to assess security levels in relation to infrastructure and technology system encryption; the continuous improvement of policies for the safe development of security systems and operations; and the assessment of projects under the information security viewpoint. **G4-PR1**



Innovation – Among the main technological innovations implemented in 2013, those in relation to Select, Santander Brazil’s new high-income segment, are worthy of note. One of these is the *Telepresença’s* room, which enables clients to clear up doubts on products or to receive financial guidance directly from the Bank’s experts, by means of virtual conversations held in areas specially designed for this purpose in the branches. Client service using tablets at the branches and the use of biometrics instead of passwords are also key features in this segment.

In order to be prepared for the expected increase in the flow of foreign tourists for the events Brazil is due to host in the next few years, Santander launched the *Saque Internacional* (International Withdrawal) project in 2013, which enables any client, irrespective of his/her country of origin, to withdraw cash in local currency and to be served in different languages on the Bank’s self-service networks.

Another innovative move in terms of technology was the partnership entered into with the Swedish company iZettle involving via mobile devices (see more on Page 74).



- THE SANTANDER EXPERIENCE, WHICH GUIDES THE BANKS BRAND MANAGEMENT, IS BASED ON FOUR CORNERSTONES: SIMPLE AND CLOSE, WIN WIN, TRUST AND PRIDE.
- AN EXAMPLE OF HIGH TECHNOLOGY COMBINED WITH ECO-EFFICIENCY, THE NEW DATA CENTER WAS THE BIGGEST INVESTMENT IN TECHNOLOGY IN RECENT YEARS, ENSURING SIGNIFICANT GAINS IN THE SPEED AND SECURITY OF OPERATIONS.
- WOMEN REPRESENT 59% OF THE WORKFORCE OF SANTANDER BRAZIL, WHICH HAS SPECIFIC POLICIES FOR THE PROMOTION OF THE DIVERSITY OF GENDER, RACE AND DISABLED PEOPLE IN ITS TEAMS.



REDUCTION IN THE OVERALL NUMBER OF COMPLAINTS*

* IN THE BANK’S VARIOUS CLIENT SERVICE CHANNELS (2013).

SOCIAL AND CULTURAL INVESTMENT G4-SO1

R\$ **99.5** MILLION
IN SOCIAL AND CULTURAL
INVESTMENT



Event hosted by the *Programa Parceiro do Idoso*, in Cuité (State of Paraíba)

297 PUBLIC SCHOOLS
BENEFITTED BY THE *PROGRAMA ESCOLA BRASIL (PEB)*

POSITIVE RESULTS FOR EVERYONE

Social and cultural investments promote inclusion, entitlement of rights and improved education

Social and cultural investment is a strategy used by Santander to promote social, economic and cultural inclusion. This procedure involves the institution striving to generate long-lasting results for all the social players, by means of innovative solutions which promote the development of society.

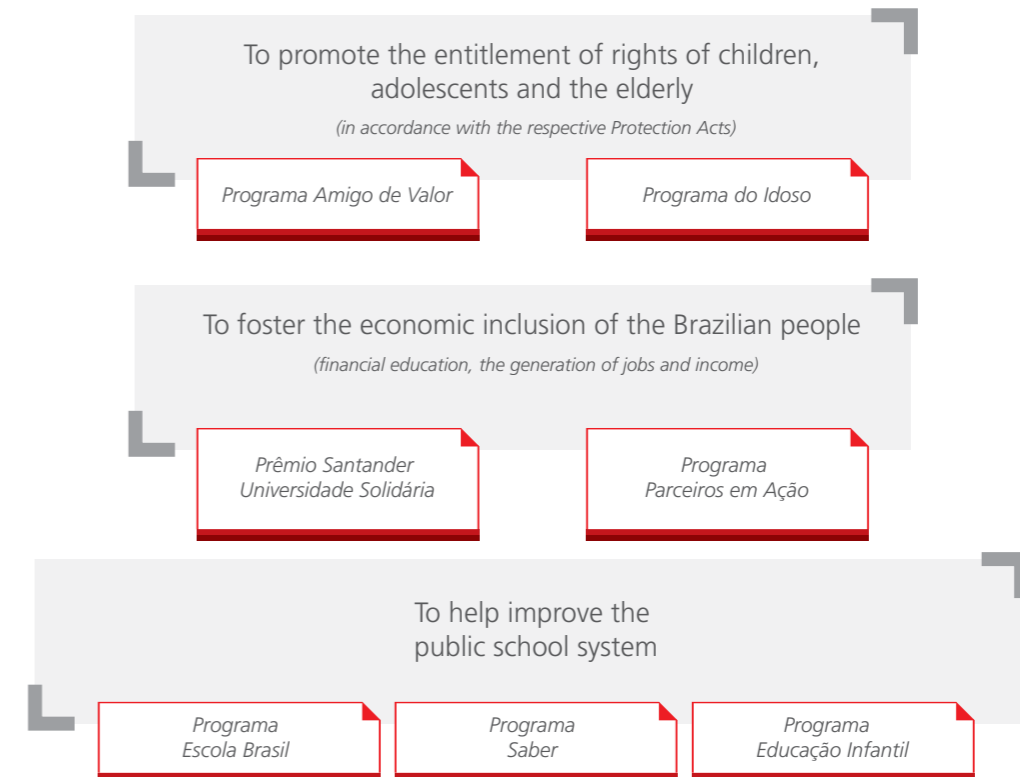
The Bank's activities in these categories are conducted in two main areas: Social Investment, which comprises seven institutional social programs (see the diagram alongside), focusing on entitlement of rights, economic inclusion and improved education; and Cultural Investment, which supports and sponsors projects including expositions and cultural groups, with the aim of generating a legacy for the communities and strengthening knowledge and local culture.

Social Investment

Social investment is characterized by the voluntary transfer of private funds to social initiatives of public interest, in a planned, monitored and consistent manner. The Bank's involvement is based on the following guidelines: to reinforce public policies and refrain from conducting or supporting isolated actions; to keep an open dialogue and work together with the community rather than for the community;

to support areas in which Santander Brazil has a business footprint, but not limited to these areas; to monitor activities and to assess the social result.

After undergoing a strategic review in 2012, Santander Brazil improved its strategy of social investment⁽¹⁾. The focus became social and economic inclusion and activities began to be guided by three strategic objectives: promoting the entitlement of rights of children, adolescents and the elderly; fostering the economic inclusion of the Brazilian people; and contributing to improvements in the public school system.



Entitlement of Rights G4-EC7

Santander Brazil invests in the advocacy of the rights of children, adolescents and the elderly by means of two initiatives: *The Programa Amigo de Valor* and the *Programa Parceiro do Idoso*, created in accordance with the respective Child and Youth Protection Act and the Elderly Protection Act and which also benefit from tax incentives granted by the government.

The *Programa Amigo de Valor* was put into practice in 2002 and has helped strengthen the Municipal Committees for the Rights of Children and Adolescents. In addition

to allocating 1% of its income tax due, Santander facilitates and encourages its employees and clients to donate funds to the Municipal Committees for the Rights of Children and Adolescents. In addition to the funds, Santander provides up to three years of technical classroom training and remote support to the Municipal Committees for the Rights of Children and Adolescents, to enable them to diagnose the situation of the local children and adolescents, in order to develop a policy for dealing with this audience while guiding the use of the Fund's resources and part of the municipal

budget. As such, the funds in question are intended to reinforce projects and activities to meet the priorities ascertained in the aforementioned diagnosis.

In 2013, 47 Brazilian municipalities enjoyed the support of the Program and 2,582 thousand children and adolescents benefitted from it. Furthermore, another 56 municipalities from 21 Brazilian states were selected and will enjoy the benefits of the program from 2014 to 2016. Last year, the program registered the record amount of R\$ 8.4 million in funds raised, a 71% increase YoY. The

1. Find out more at <http://tinyurl.com/reannual9>

initiative involved the participation of 30,654 employees and interns and 2,690 clients, which raised R\$ 3.9 million and R\$ 1.8 million, respectively. Santander and its affiliated companies provided the remaining R\$ 2.6 million via funds allocated to cultural projects¹.

Created in 2013, the *Programa Parceiro do Idoso*⁽²⁾ was developed based on the success of the *Programa Amigo de Valor*, and has a similar strategy. Santander allocates 1% of its income tax due to the Municipal Funds for the Rights of the Elderly, and provides specialized technical training and support to the Municipal Committees for the Rights of the Elderly. It is hoped this support will enable the Committees to begin to mobilize the local community and to liaise with other government bodies in order to implement activities regarded as priority after having diagnosed the situation of the elderly population.

In 2013, 11 municipalities received support for the execution of this process and have developed their policies for dealing with the elderly accordingly. Moreover, another 20 municipalities were selected and will benefit from the program from 2014 to 2016.

Economic Inclusion G4-EC7 G4-FS16

The Bank runs two programs geared to the economic inclusion of the Brazilian people: the *Prêmio Santander Universidade Solidária*⁽³⁾ and the *Programa Parceiros em Ação*⁽⁴⁾.

The award *Prêmio Santander Universidade Solidária* supports university extension projects in connection with the topic of "Sustainable Development with an Emphasis on the Generation of Income", and which are developed by professors and students in partnership with the local community. The technical and financial support ensures the initiative is able to contribute to the social and financial inclusion of low-income communities by exchanging academic and popular knowledge.

In 2013, 1,600 people were benefitted from 14 projects. Furthermore, based on the assumption that issues associated with illiteracy prevented members of the community from taking on new responsibilities, the Bank promoted adult literacy initiatives in two of the supported projects. Each initiative used a type of methodology geared to the local realities and both confirmed the potential influence of literacy in the advancement of practices. Santander intends to expand this initiative to all its projects as from 2014.



Medical care provided under the *Programa Parceiro do Idoso*, in Cuité (PB)

2,582

CHILDREN BENEFITTED BY THE AMIGO DE VALOR PROGRAM

Furthermore, the Bank developed a methodology for economic education geared to low-income communities based on their reality, to enable people to identify and make use of the resources available, to cope with the environment in which they live in more easily, and to gain independence.

The *Parceiros em Ação* program provides training, specialized support and economic education methodology to entrepreneurs active in low-income regions served by the Santander Microcredit operation. This initiative is not designed exclusively for clients and reinforces the Bank's commitment to the development of entrepreneurship and society at large. By means of a joint effort between the Social Investment and Microcredit teams, the mobilization and invitation of entrepreneurs were supported by employees working in the locations benefitted by the program.

Classroom training sessions, regional meetings and a focus on the issue of economic education were the strategies used to enable the entrepreneurs to develop their talent and relationship skills. Hence, the Bank intends to contribute to these entrepreneurs improving their quality of life and strengthening their business.

The program was held in three locations this year: Heliópolis, in the city of Sao Paulo, and São Lourenço da Mata and Cabo de Santo Agostinho in the state of Pernambuco. Training was provided to 16 groups and 130 entrepreneurs, 22 of which are clients of the Bank.

Investment in public works

Brazil currently invests around R\$ 600,000 per annum in public works. One of the main purposes of this investment is the preservation of the green areas of the city of Sao Paulo. The Bank was responsible for maintaining 45,000 m² of green areas in 2013. The squares and gardens under the responsibility of the organization are given plaques bearing the Bank's logo. G4-EC7

Improved Education G4-EC7

Santander has undertaken a global commitment to education and puts this into practice in Brazil by investing in the complete education cycle, from pre-school to university level. In the field of K-12 Education, which comprises pre-school, elementary and high-school education, the Bank runs three programs: *Programa Escola Brasil*⁽¹⁾, *Programa Saber*⁽²⁾ and *Programa de Educação Infantil*⁽³⁾.



A volunteer from the *Escola Brasil* Project at the Renato Braga State School in São Paulo

The *Escola Brasil* Program, a Santander Brazil corporate volunteer initiative first implemented in 1998, enables the Bank's employees, interns, clients, family members and friends to exercise their citizenship in activities conducted at public schools. As such, the volunteers are supported by a team assigned to help them, using tools which guide their performance at the school, backed up by a policy whereby volunteers are allowed to dedicate to the project up to

(1) Find out more at <http://tinyurl.com/reanual10>
 (2) Find out more at <http://tinyurl.com/reanual11>
 (3) Find out more at <http://tinyurl.com/reanual12>
 (4) <http://tinyurl.com/reanual13>

1. Find out more at <http://tinyurl.com/reanual14>
 2. Find out more at <http://tinyurl.com/reanual15>
 3. Find out more at <http://tinyurl.com/reanual16>

SOCIAL AND CULTURAL INVESTMENT

4 hours per month from their working hours. It is estimated the program has benefitted over 125,000 students from the public school network since it was created. In 2013, the number of volunteers on the PEB program surpassed 4,200, a 50% increase YoY. These volunteers provided their services to 297 public schools.

The *Saber* program, inspired by the teacher training initiatives put into motion in 2006, was implemented in 2013 to promote the continuous training of High School Portuguese



A school that took part in the *Programa de Educação Infantil* in Irara in the state of Bahia

185

conselheiros

LOCAL ADVISORS TRAINED UNDER THE *PROGRAMA DE EDUCAÇÃO INFANTIL*.

teachers (grades 5 to 9, the last years in the Brazilian school system). Ten municipalities from the region of São José do Rio Preto in the state of São Paulo are partners in the program, placed in Educational Development Units (ADE in Portuguese). The ADE format involves networking whereby groups from the same geographic regions and with similar social and economic profile work together to exchange experiences and find solutions for issues in the area of education. The first edition of the program is set to continue until May 2014. In 2013, the *Saber* program trained over 150 teachers and will indirectly benefit over 6,000 High School students.

The Bank has been running the *Programa de Educação Infantil* (Children's Educational Program) in a partnership with the Ministry of Education (MEC) since 2010, thereby contributing to an improvement in the quality of education provided to children of between 0 and 5 years-of-age at day care centers and kindergartens. In these three years, investments were made in 19 municipalities in the state of Bahia registered with PROINFANCIA (the Federal Government's National Program for Restructuring and Acquisition of Equipment for the Public Elementary School Network).

The year 2013 was a period of consolidation for the activities already in place: 185 local advisors were given training focusing on enhancing their performance in the area of child education and over 2,000 professionals from the public local network (technicians from the Departments of Education and Health, school principals, coordinators, teachers, to name a few) participated in the final stage of the training process in the fields of education and healthcare management, to develop institutional projects for the continuous training of teaching coordinators and teachers from the local public elementary school network. Moreover, a map of public policies for services geared to early childhood in the municipalities was drawn up and the results of this pilot project began to be assessed, which will bring vital inputs to the success of the next phases of the Program.

UNIVERSIA

Created in Spain in the year 2000, the purpose of Universia is to create new opportunities while promoting university integration via a platform bringing together professors, students and businesses. Present in 23 countries in Latin America and the Iberian Peninsula, the initiative is now the largest Latin American university cooperation network, with 1,626 institutions of higher education registered and representing 16.2 million students and professors.

In Brazil, Universia comprises a network of 280 partner universities catering to 4.4 million students and professors. The *Portal Universia*, the initiative's main communication channel, registered over 1.4 single users and a monthly average of 2.7 million pages visited.

Universia's activities are guided by four strategic pillars: Employment, Knowledge, Cooperation and the Future

Under "Employment" Universia works to bring young people closer to the labor market. This enables business to have access to thousands of students from partner universities while providing students with opportunities for starting a career. The highlight of 2013 was the process for the recruitment and selection of young talent, which resulted in 736 people joining Santander Brazil.

Activities under the "Knowledge" pillar are focused on the development of training programs for students and professionals, in addition to initiatives geared to innovation, connecting academic research to business practice. 2013 saw the development of *Miríada X*, a platform of Massive Online and Open Courses (MOOCs), in partnership with Telefônica Learning Services, the objective of which is to become the biggest virtual environment of free courses in Iberian-American countries.

The Cooperation pillar, which promotes discussion on education and higher education teaching trends, the key highlight was the hosting of three seminars promoted by the *Centro de Desarrollo Universia-CDU*.

Finally, the Future pillar is focused on creating initiatives and tools to assist university students in terms of professional development. In 2013, the Bank promoted the Virtual Pre-University Guidance Fair, *Orienta*, which brings students and universities together, providing knowledge to help young people make their choices. The platform was available on the Internet from August 2013 to January 2014 and registered 38,000 visitors.

Cultural Investment

Santander Brazil's cultural action policy aims to promote projects which encourage creativity and innovation, the transfer of knowledge, consumption awareness and entrepreneurship. In line with standards of social responsibility, the Bank implements restrictions with regard to sponsoring projects or events of a political nature or which are associated with alcohol, tobacco or weapons.

Investment in sponsorships is raised from both direct funds and tax incentives. In 2013, 36.3% of the roughly R\$ 35 million invested was raised by means of incentives such as the Rouanet Act.

Below are the details on some of the most noteworthy projects in 2013:

AfroReggae

The AfroReggae initiative has been in place for 15 years in Brazil, with a focus on the shantytowns of Rio de Janeiro, providing cultural and artistic training for children and young people, in addition to enhancing the positive impact of dialog



Technical reserve from the Santander Brazil art collection

with the different sectors of society. In 2013 the group opened its first branch outside Rio de Janeiro, in São Paulo, also sponsored by the Bank.

The Santander Brazil Collection

Santander Brazil owns a collection of over 2,000 works of art which are exhibited in the corporate environments of the Bank, thereby providing people with daily access to important works from the history of Brazilian art. In 2013, with the aim of sharing this collection with the general public, 83 works by renowned Brazilian modernist and contemporary artists were selected to comprise the exhibition named Poetic Narratives

– the Santander Brazil Collection. The collection was exhibited in Porto Alegre, Brasília and Belo Horizonte and attracted over 80,000 visitors.

The Jean Boghici Exposition - O Colecionador

A brand-new exposition composed of part of the collection of Jean Boghici, the pioneer who opened the first art gallery in the country: the Relevô. Boghici chose a set of works which, together, make up the most comprehensive panel of the history of Brazilian art. The exposition named *O Colecionador* (the Collector) uncovered this treasure and showed how it was put together over the course of 60 years.

The Santander Art Circuit

An exposition featuring works by 11 artists from the city of Porto Alegre on the facades of ten Santander branches in the month of the celebrations for Farroupilha Week, in partnership with Grupo RBS.

Brazilian Symphony Orchestra Foundation

The mission of the Brazilian Symphony Orchestra (OSB) Foundation is to disseminate symphonic music in Brazil, based on the long-lasting commitment to attracting new audiences and fostering young talent. The orchestra is in charge of the administration of the activities of the OSB, thereby contributing to the development of work involving 70 years of history.

The “I love you Rio” Movement

A movement which promotes and disseminates positive actions conducted in and on behalf of the city of Rio de Janeiro, which involves the production and release of the film *Rio, Eu Te Amo*, from the same franchise as *Paris, Je T'aime* and *New York, I Love You*. The film, due to be released in April 2014, features 10 love stories directed by 4 Brazilian (Fernando Meirelles, José Padilha, Andruca Waddington, Carlos Saldanha) and 6 international directors.

Fronteiras do Pensamento (Frontiers of Thought)

A series of conferences held in São Paulo and Porto Alegre and attended by leading thinkers from all over the world, including Manuel Castells (Spanish sociologist) and Mario Vargas Llosa (Peruvian writer).

SANTANDER CULTURAL G4-EC7

Santander Brazil has two *Santander Cultural* project branches, one in Recife (in the state of Pernambuco) and another in Porto Alegre (in the state of Rio Grande do Sul). Responsible for strengthening relations with the communities, these sites serve as hubs for the dissemination of culture. By building partnerships with the different market sectors, academia, governments, trade associations and NGOs, these branches host and perform activities including meetings, seminars, workshops, showrooms, narrated sessions, lectures, debates, forums and other multi-disciplinary cultural services.

These two branches have welcomed over 4 million visitors since the year 2000, playing an educational role while developing initiatives from a global viewpoint, but always taking local needs and profiles into account. The initiative attracted over 471,000 visitors in Recife and Porto Alegre in 2013.

The Porto Alegre branch held major expositions in 2013, including the 9th MERCOSUL Biennial, in addition to hosting the exposition *Poetic Narratives – Santander Brazil Collection*. The Recife branch is undergoing improvements both internally and on the building's facade, which led to the interruption of activities throughout the year.

SOCIAL AND CULTURAL INVESTMENT (R\$ THOUSAND) G4-EC7

	2011	2012	2013
Education	35,283	40,747	50,021
Culture	25,735	41,211	29,620
Rights of Children, Adolescents and the Elderly	5,937	6,149	7,993
The Promotion of Diversity	10,794	6,270	4,745
Entrepreneurship and Income Generation	2,367	3,311	3,519
Sport	3,808	6,382	1,452
The Environment	2,907	2,030	535
Other	7,386	7,728	1,659
Overall Total	94,217	113,828	99,544
Social and cultural investment/Net Income (%) ¹	2.65%	4.18%	4.72%

1. Deemed as Net Income reported in the BR GAAP Financial Statements



- SOCIAL AND CULTURAL INVESTMENT IS A STRATEGY USED BY SANTANDER TO PROMOTE SOCIAL, ECONOMIC AND CULTURAL INCLUSION.
- THE BANK'S SOCIAL INVESTMENT IS BASED ON THREE MAIN OBJECTIVES: ENTITLEMENT OF RIGHTS, ECONOMIC INCLUSION AND IMPROVING PUBLIC EDUCATION.
- IN 2013, 47 MUNICIPALITIES WERE SUPPORTED BY THE *AMIGO DE VALOR PROGRAM*, GEARED TO STRENGTHENING THE MUNICIPAL COMMITTEES FOR THE RIGHTS OF CHILDREN AND ADOLESCENTS, BENEFITTING OVER 4,000 CHILDREN AND ADOLESCENTS.

UNIVERSIA

278

PARTNER UNIVERSITIES

4.4 MILLION

STUDENTS AND PROFESSORS BENEFITTED

CLIMATE GOVERNANCE & ENVIRONMENTAL MANAGEMENT

20%

REDUCTION IN CO2 EMISSIONS
AND POWER CONSUMPTION
BY 2015

THE ENVIRONMENT AS A RESPONSIBILITY

Climate governance and environmental management go beyond the direct impacts generated by the Bank's operations

In a scenario of climate change, one of the main challenges faced by large corporations is the appropriate environmental management of their activities, thereby contributing to the promotion of a low-carbon economy.

The environmental impact caused by major banks such as Santander Brazil can be so described: direct impact, arising from operations, and indirect impact, arising from the activities the Bank finances or invests in.

Committed to the fight against climate change, Santander conducts an efficient environmental management of its direct and indirect impacts. As such, the Bank uses a model which prioritizes a reduction in consumption and offsetting greenhouse gas (GHG) emissions in both its own operations and those of clients and third parties.

Indirect impact **G4-EC2**

As an intermediate link in the production chain, banks have the opportunity to support and encourage businesses to adopt practices of sustainability as a means of helping reduce and offset the impacts caused by their activities.

The performance of Santander Brazil to this effect is extremely wide-ranging. It ranges from social/environmental credit facilities (for the implementation of solutions to increase energy efficiency and to improve waste treatment, among other aspects) to the use

of social and environmental screening as a condition for financing infrastructure projects and ownership investment in low-carbon business such as wind farms (for further information see infographic on page 116).

CLIMATE CHANGE AND THE FINANCIAL SECTOR

*By Tasso Azevedo

The planet receives an average of 342 watts per m² (W/m²) per second of energy from the sun. Part of this energy is reflected by the atmosphere and returns to space, whereas the other part circulates between the atmosphere and the Earth's surface and is then dispersed beyond the planet. The main factors for the accumulation of energy in the atmosphere are clouds and the so-called greenhouse gases (GHGs). These gases are capable of reflecting part of the radiation striving to reach space back to the Earth's surface. Without the GHGs, the average temperature of the Earth would drop from 15°C to -18°C and life as we know it would cease to exist.

Throughout the history of the planet, there are times when the concentration of greenhouse gases in the atmosphere increases naturally, and other times when it diminishes naturally, always at intervals of thousands of years. However, the volume of GHGs we are emitting into the atmosphere is at least four times that arising from natural processes. The concentration of CO₂ (the main GHG) in the atmosphere reached 400 parts per

million (ppm) in 2013, whereas the figure for the last 800,000 years has always ranged from 250 to 300 ppm. As such, the average temperature of the planet has risen one degree since the beginning of the industrial age.

Research has revealed the impact of climate change on the economy, health, safety and well-being of the global population, particularly in coastal areas and regions deprived of infrastructure. The consequences of the change in energy balance include an increase in the temperature, the expansion of the oceans and melting of glaciers, in addition to an increase in the frequency, intensity and duration of extreme events such as droughts, floods and periods of harsh winter. Effects including changes in rainfall patterns affect the production of hydroelectric power, agriculture and the availability of drinking water.

The emission of a ton of carbon anywhere on the planet affects climate change in the same way, but the impact these changes is distributed in an extremely uneven manner. As a rule, the most vulnerable

populations are not responsible for large-scale emissions of GHGs. A concentrated global effort is required in order to reduce GHG emissions and to prepare both cities and the countryside to adapt to ongoing climate change.

International negotiations towards signing a new global agreement in 2015 are vital to the creation of a sense of purpose and direction. This can be achieved by means of a series of global targets to guide the implementation of mitigation and adaptation measures throughout the planet. Nevertheless, the real changes will be brought about by actions promoted by local governments, businesses, civil organizations and society in general.

It is crucial that financial institutions understand and acknowledge the impact of climate change on their decisions in relation to investment, credit and insurance processes, not only as a risk factor, but also as an opportunity to help create an economy based on low greenhouse gas emissions. Even more so due to the fact GHG emissions are sure to be taxed in the near future.

*Tasso Azevedo is a social and environmental entrepreneur and a consultant in sustainability, forestry and climate change.

Sunset at the company Cerâmica Irmãos Fredi, a generator of carbon credits.

104,2 TONS

WAS THE TOTAL OF CARBON
CREDIT PURCHASED BY SANTANDER
IN 2013

In 2013, the Bank expanded its activities and began to prioritize the promotion of the development of a market for environmental assets operated in Brazil, which Santander see as a key tool in the transition to a low-carbon economy. These activities were concentrated on three fronts.



Cerâmica Irmãos Fredi: good social and environmental practices

→ **Institutional Offsetting:** In order to stimulate the market, the Bank began offsetting its environmental impact by purchasing carbon credits from projects with a positive social and environmental performance (including small and medium enterprises). Up to that time, offsetting carbon emissions had been conducted via the *Floresta Santander* program, geared to voluntary reforestation.

→ **Engagement of clients and non-clients:** In June, the Bank launched its *Reduza e Compense CO₂* (Reduce and Offset CO₂) program, whose platform enables anyone to calculate their greenhouse gas emissions and to offset the corresponding impacts by purchasing carbon credits. The site enables the user to purchase credits directly from the projects selected by the Bank. Santander activated the program by combining this initiative with its vehicle financing operation, a sector with a major environmental impact, pledging to offset the first thousand kilometers driven by each vehicle financed through the purchase of carbon credits.

→ **Employee engagement:** In an attempt to encourage employee engagement, the Bank funded up to one ton of CO₂ for all employees offsetting their carbon footprint via the *Reduza e Compense CO₂* platform.

This set of practices enabled the Bank to include small and medium enterprises and individuals in this environment in an unprecedented manner. In total, Santander purchased or acted as middle person in 104,229 tons of carbon credit in 2013, in addition to using 53,308 tons of CO₂ in institutional offsetting and 63,828 tons of CO₂ as part of *Reduza e Compense CO₂*.

“IT IS CRUCIAL THAT FINANCIAL INSTITUTIONS UNDERSTAND AND ACKNOWLEDGE THE IMPACT OF CLIMATE CHANGE ON THEIR DECISIONS IN RELATION TO INVESTMENT, CREDIT AND INSURANCE PROCESSES.”

TASSO AZEVEDO

Direct impact

Santander Brazil bases the environmental management of its activities on two complementary models. The requirements of ISO 14001 have been applied to the administrative buildings since 2006. With regard to the branch network, the monitoring and assessment of environmental issues is included in all operational measurements by means of the Operational Quality Assessment System (AQO), which monitors 47 performance indicators, including environmental indicators such as water and power consumption.

In order to ensure a positive environmental performance at all its facilities, Santander Brazil bases its activities on acknowledged eco-efficiency practices and guidelines. The business network units adhere to the Engineering Standards Manual developed by the Bank. This document, which sets forth the best practices of Santander Brazil, was created based on the experiences acquired during the construction of the Granja Viana branch, opened in 2007 and the first branch in the country to receive the LEED sustainable construction certification.

Branches built or renovated since 2007 have been adapted to the standards of this manual, which addresses the efficient and rational use of water, energy and resources by means of elements such as the catchment of rainwater (capable of reducing consumption by up to 50%); aerators and self-closing taps (to reduce the consumption of water) and white-painted tiles (to reduce heat inside the branch). Three hundred branches have been built in accordance with these standards.

Many of these practices have been extended to the administrative buildings. For example, *Torre Santander* (the Bank's administrative headquarters) is LEED Gold certified, awarded by the US Green Building Council (USGBC), a highly renowned sustainability certification entity in the field of civil construction.

Consumption

Power G4-ENG
Santander Brazil has set the target of a 20% reduction in power consumption from 2011 to the end of 2015, commensurate with the organic growth of the Bank. The result for 2013 registered a 3% reduction in the administrative buildings and 1% in the business network. Consumption including the Data Center rose by 28% due to the testing and commissioning of the unit.

Gains in eco-efficiency in relation to the operations at the head offices and branches are the main tool to achieve this result. One of the highlights in this area in 2013 was the approval of an internal guideline determining the replacement of old light bulbs with ecoefficient (LED) bulbs in all renovation work involving the Bank's branches. These light bulbs ensure a 50% reduction in power consumption compared to fluorescent bulbs. Furthermore, the Bank continued to upgrade its air conditioning equipment (retrofit) and to install automation systems.

ENERGY CONSUMPTION (GJ / EMPLOYEE)			
	2011	2012	2013
Branch network	21.6	20.5	20.0
Buildings	16.4	15.7	14.0

The Bank also purchases green energy on the free market, which is renewable energy from wind farms, small hydropower plants, and biomass, equivalent to the consumption of 30% of the electricity used in the administrative buildings. The energy used by the other units, including the branch network, is purchased from concessionaires. The share in renewable sources is determined by the National System Operator (ONS) and does not depend on the action of the Bank. **G4-EN3**

Water **G4-EN10**

Santander uses systems for the catchment of rainwater at Torre Santander and over 150 branches. This practice has also been consistently extended to projects involving the renovation and construction of buildings and branches. This system captures and treats water for reuse in toilets and for the irrigation of flowerbeds and gardens (as applicable to each project). Other amenities include automatically operated taps with aerators and dual-flush toilets (3 and 6 liter flow).

Paper **G4-EN1**

Santander uses a safe printing system at some of its administrative buildings. Employees are required to use their ID badge when using the equipment, thereby preventing unnecessary printing. Printers are programmed to print two pages on each side of the paper.

The Bank also encourages clients to use electronic media rather than paper for statements, card invoices and payment slips. Moreover, Santander monitors the consumption of paper involved in marketing and communication processes, uses FSC-certified paper only, in addition to performing selective collection in the central areas and branches.

■ CONSUMPTION OF PAPER (IN TONS)

2013	2012	Change
8,891	8,671	-2%

Waste **G4-EN23**

Around 50% of the waste collected from the administrative buildings is sent directly for recycling by waste collectors or cooperatives; the infrastructure of the Bank's branches complies with the criteria of the selective collection program. The Bank also conducts internal awareness programs geared to reducing the consumption of these inputs, such as the use of non-disposable glasses and cups by employees.

Most of the organic waste generated in the restaurant at the administrative headquarters, where around 5,000 employees work, is processed in a dehydrator, thereby reducing the amount of waste dispatched to sanitary landfills by around 77%.

■ DEHYDRATION REPORT – 2013

Ano	AMOUNT IN KILOS	
	PUT IN (organic)	TAKEN OUT (compost)
2013	135,821	31,164
2012	72,491	16,880

Greenhouse Gas Emissions

G4-EN15 G4-EN16 G4-EN17

The Bank bases the management of its greenhouse gas emissions on the 20% reduction target by 2015, using the year 2011 for comparison. This target is monitored using an emission inventory, which has been conducted since 2006 in accordance with the methodology of the Greenhouse Gas Protocol (GHG Protocol Brazil), for which the institution holds the maximum certification.



Mobility **G4-EN30**

As a means of discouraging the individual use of vehicles, the Bank implemented the *Carona Solidária* program and a system of free chartered vehicles (buses and vans) for commuting to and from work and between the administrative buildings and nearby subway stations. In 2013, 385 people benefitted from this program.

Ever since Torre Santander was opened in 2009, time schedules for the arrival and departure of personnel have been used, thereby preventing overcrowding inside and around the administrative building. The building also features a bicycle rack and fully equipped changing rooms for employees who prefer the bicycle as a means of transport.

Transparency

As a means of assessing and managing its environmental performance with greater efficiency, Santander Brazil has been conducting a full inventory of its GHG emissions since 2006, using the *Fundação Getúlio Vargas* (FGV) Greenhouse Gas Protocol Brazil program, of which the Bank is a founding member. The FGV is responsible for analyzing and making the inventories of large corporations available to the public, in addition to verifying the information and emissions reported.

The Bank also participates in some of the most important initiatives geared to the assessment of environmental practices and impacts, at both local and international level. These include the *Índice de Sustentabilidade Empresarial - ISE* (Corporate Sustainability Index) and the *Índice de Carbono Eficiente - ICO2* (Efficient Carbon Index), both of the BM&FBOVESPA, and the Carbon Disclosure Project (CDP), an international organization based in New York.



- THE ENVIRONMENTAL IMPACT CAUSED BY MAJOR BANKS SUCH AS SANTANDER BRAZIL CAN BE SO DESCRIBED: DIRECT IMPACT, ARISING FROM OPERATIONS, AND INDIRECT IMPACT, ARISING FROM THE ACTIVITIES WHICH THE BANK FINANCES OR INVESTS IN.
- SANTANDER BRAZIL IS THE ONLY BRAZILIAN BANK WHICH HAS MADE AN OPEN COMMITMENT TO ACHIEVING A 20% REDUCTION OF ITS CO2 EMISSIONS, A LEADING CAUSE OF THE GREENHOUSE EFFECT, BY 2015 (REFERENCE YEAR 2011).
- THE BANK ENCOURAGES ITS PERSONNEL TO USE COLLECTIVE TRANSPORT (SUPPORTIVE RIDE PROGRAM) AND PUBLIC TRANSPORT (FREE BUSES AND VANS BETWEEN THE ADMINISTRATIVE BUILDINGS AND SUBWAY AND TRAIN STATIONS).

47

OPERATIONAL AND ENVIRONMENTAL PERFORMANCE INDICATORS ASSESSED IN THE BRANCH NETWORK

CO₂ EMISSIONS: REDUCE AND OFFSET

Confira algumas das iniciativas do Santander Brasil:

Sustainable Business

+R\$ 500 million to finance energy efficiency

Investments in wind farms with 500 MW capacity

Around R\$ 20 million in loans to low carbon agriculture

ENVIRONMENTAL IMPACT

- CO₂ Emissions
- Waste Generation
- Energy consumption
- Paper consumption

Mobility

Thousands of trips by chartered bus per year

Bicycle racks at buildings

385 new members joined the Carona Amiga Program

Eco-efficiency

20% reduction target in CO₂ emissions and power consumption by 2015

Use of light bulbs with 50% energy saving

Composting and recycling initiatives

Reduce and Offset

53,000 tons CO₂ offset per carbon credit

Offset the first 1,000 km run by financed vehicles

Online tool for calculating and offsetting CO₂ emissions



OUR COMMITMENTS WITH SUSTAINABILITY

GOALS AND COMMITMENTS

At Santander, sustainability is part of our business strategy. In line with the country's development agenda and the corporate commitments undertaken – which promote practices of social and environmental responsibility such as the Global Compact, goals have been established associated with the issues of high materiality, regarded as relevant by Santander's stakeholders. The goals are based on the Group's operational strategies: Social and Financial Inclusion, Education and Social/Environmental Business.

Below is a table that illustrates the activities implemented in 2013 and the new commitments for 2014.




TOPIC/AREA	2013 GOAL	STATUS	OUTCOMES	2014 GOALS	TOPIC
Social and financial inclusion	To select 50 new Brazilian townships via the local Child and Youth Rights Councils that are willing to perform a diagnostic of the situation of local children and teenagers. These towns will receive funds and special training on the Child and Youth Protection Act to both support and strengthen the Councils, thereby ensuring the advocacy for the rights of children and adolescents.	●	56 townships from 21 Brazilian states were selected, and R\$ 8.4 million raised from a mobilization campaign involving the Bank's employees, interns and customers, enabling these townships to diagnose the situation of children and adolescents while creating a local policy for dealing with this audience.	To support the diagnosis of the 56 townships selected in 2013, and, in accordance with their individual performance, support 1 project in each of those whose support is renewed (for 2015). The 56 townships will enjoy the injection of financial resources and specialized training under the Children and Youth Act for the qualification and reinforcement of the role of the councils and development of the proposal for related projects.	Positive impacts of the Bank on society
	To disburse R\$ 490 million and amass 120,000 active customers in Microcredit operations.	◐	R\$ 487 million disbursed and 124,000 active clients.	A disbursement goal of R\$ 512 million while amassing 125,000 active clients in Microcredit operations.	Sustainable business and positive impacts of the Bank on society
Education	To attain a 20% participation rate among employees and interns in the Sustentabilidade pra Todo Lado program (universe provided by HR in September 2012).	●	A total of 10,824 people participated in the Sustentabilidade pra Todo Lado (Sustainability all around) project, equal to 20% of the Bank's active workforce in September 2012.	To engage 20% of the workforce and active interns in the Sustainability All Around program (HR base September 2013).	Sustainability strategy and governance
	To increase the number of volunteers in the Escola Brasil (Brazilian School) program by 40%.	●	The program relied on 4,248 volunteers, representing a 40% growth while benefitting 297 partner schools.	To maintain the number of volunteers participating in PEB (4,248) and to hold 2 events per partner school over the year (in accordance with when the school becomes a partner).	Positive impacts of the Bank on society
	To grant 1,135 scholarships in foreign countries for teachers and graduate students via the Programas Top Espanha (180 scholarships), Top China (100 scholarships), Top UK (20 scholarships), Top Luso (160 scholarships), Top Babson (15 scholarships), Fórmula Santander (90 scholarships), Ibero Graduação (500 scholarships) and Ibero Americana Jovem Pesquisa (70 scholarships)	●	1,273 scholarships were granted abroad for university students and professors via the programs: Formula Santander (161 scholarships), Top Spain (50 scholarships), Top China (97 scholarships), Top UK (0 scholarships), Top Luso (150 scholarships), Top Babson (0 scholarships), Ibero Graduação (709 scholarships) and Ibero-Americana Jovem Pesquisa (106 scholarships).	To grant 1,660 scholarships abroad for university students and professors via the Formula Santander (100 scholarships), Top Spain (100 scholarships), Top China (100 scholarships), Top Luso (160 scholarships), Ibero Graduação (1000 scholarships) and Ibero-Americana Jovem Pesquisa (200 scholarships) programs.	Positive impacts of the Bank on society
Social/environmental business	To proceed with our strategy of acknowledging good practices in the different Corporate segments in housing loans within the Programa de Construção Sustentável.	●	The program has already assessed a total of 103 worksites executed by 59 construction firms/ developers with 20 plaques awarded since the Program was launched. In 2013, we assessed 11 new worksites executed by 5 clients, with the award of 2 more plaques.	To acknowledge good practices in the different Corporate segments in housing loans within the Programa de Construção Sustentável.	Sustainable business

- GOAL ATTAINED
- ◐ GOAL UNDER DEVELOPMENT
- GOAL NOT ATTAINED

COMMITMENTS

GOALS AND COMMITMENTS

TOPIC/AREA	2013 GOAL	STATUS	OUTCOMES	2014 GOALS	TOPIC
Social/ environmental business	Process involving the review and redefinition of goals.		In 2013, the goal for the reduction of energy consumption was also redefined, involving commitments up to 2015. The main initiatives were: the installation of an air conditioning system retrofits, the replacement of fluorescent bulbs with LED bulbs and the automation of lighting systems in the administrative buildings and branches.	To reduce energy consumption by 20% by 2015, versus 2011.	Positive impacts of the Bank on society
	Process involving the review and redefinition of goals.		The GHG emissions target was redefined in 2013, with commitments by 2015. The main outcomes were: Scope 3: a 37% reduction versus 2011; Scope 2: an increase in the carbon emission factor in relation to energy due to the greater use of de thermo-electrical energy, with a negative impact on the emissions inventory.	To reduce the consumption of CO2 by 20% by 2015, versus 2011.	Positive impacts of the Bank on society
	-	-		To train 80% of new employees in the credit risk and customer service teams from the Wholesale in Social/ Environmental Risk.	Social/ environmental business; People Management
	-	-	-	To hold 2 meetings with suppliers with the aim of engaging and guiding firms to embrace the Global Compact principles.	Assessment of the supply chain; Sustainability strategy and governance
	-	-	-	To provide educational online content to guide direct and indirect suppliers on social and environmental practices in the Supply Channel.	Assessment of the supply chain
	-	-	-	To develop and implement mandatory training on anti-corruption for all employees by December 2014.	Ethics, integrity and compliance.
	-	-	-	To implement the Corporate Anti-Corruption Program, including a disclosure and awareness plan for areas regarded as critical.	Ethics, integrity and compliance.
	-	-	-	To implement the Operational Compliance Committee, designed to deal with the analysis and approval of compliance codes and policies to ensure the monitoring and management of reputational risk and compliance with standards, in addition to discussing issues related to breach of conduct, violation of internal policies, denouncements and other compliance-related topics, by December 2014.	Ethics, integrity and compliance.

-  GOAL ATTAINED
-  GOAL UNDER DEVELOPMENT
-  GOAL NOT ATTAINED

HOW THIS REPORT WAS PREPARED

G4

THE GRI MODEL USED IN THIS REPORT



A REPORT FOR ALL AUDIENCES

The 2013 Annual report is Santander Brazil's main document on the Bank's structure, economic, social and environmental management and performance in 2013. This document replaces the 2012 Annual Report published in April 2012.

The content was produced over a period of around six months, in accordance with the guidelines defined by the Brazilian Association of Publicly Traded Enterprises (Abrasca), standard AA1000SES (AA1000SES Stakeholder Engagement) and the Global Reporting Initiative (GRI). As to the GRI, the document has been drawn up in line with the "comprehensive" mode and is in accordance with the GRI G4 guidelines and the sector supplement geared to the financial sector. [G4-28](#) [G4-29](#) [G4-30](#) [G4-32](#)

With the aim of rendering the publication more attractive to the Bank's different stakeholders, the content of the 2013 Annual Report features major changes in comparison to previous years, including a concern to ensure the texts are more educational and direct, making use of infographics and articles written by external specialists, among other aspects.

Another challenge was merging the Sustainability Indicator Supplement and the Report, thereby ensuring a greater integration between the social/ environmental and economic indicators, in tandem with the GRI guidelines.

The collection of information was conducted by means of interviews and questionnaires with executives from the different areas of the Bank, featuring the new materiality matrix created in 2013, which indicates the Organization's

most relevant issues and their impacts on the different audiences. [G4-18](#)

The matrix was created based on a process involving the consultation and interviewing of executives from the Bank and representatives from professional associations and institutions of higher education, in addition to the analysis of documents in connection with the financial sector, previous documents and documentation from other institutions, in very case using the aforementioned guidelines as a reference.

The outcome of the materiality matrix indicates the most important topics to be addressed in the Annual Report and exerts an influence on sustainability management processes, featuring indicators comparable with each other and with other organizations from the banking sector.

In 2013, the most important topics (very high materiality) featured in the matrix were the generation of value and economic performance and the social/ environmental business. These were followed by (high materiality) assessment of the supply chain; sustainability strategy and governance;

ethics, integrity and compliance; people management; positive impacts of the Bank on society; and customer and consumer relations. [G4-19](#)

Highlights of these topics include, among others, the practices related to the Principles of the Global Compact, a United Nations (UN) initiative to which the Bank has been a signatory since 2007. As such, Santander underlines its commitment to supporting and disclosing the Compact principles.

The indicators were collected by the Finance team, who use their own tool for reporting, on which data and evidence is stored for verification and auditing. Prior to the collection of the data, training meetings with the departments were held on the new GRI G4 guidelines and the changes in the information for material aspects. This job involved over 40 people and enabled us to report the relevant information with greater clarity.

The information and results disclosed include the businesses owned by Santander Brasil as of December 31, 2013. The full list is available in the Financial Statements at www.santander.com.br/ri in the Financial Information /

Results Center section. The data refers to the period between 01 January and 31 December, but the report also includes material information beyond this period. [G4-17](#) [G4-28](#)

The Executive Committee was entrusted with the analysis and validation of the data, information and the editorial project of the Annual Report, which includes the decision to use external verification. [G4-33](#) [G4-48](#)

Deloitte Touche Tohmatsu Independent Auditors was hired to review the procedures used by Santander management to both gather and compile the information and to prepare the GRI indicators. The independent auditors' limited assurance report is published on pages 124 and 125. In addition, the GRI-G4 Content Summary for this publication is available on pages 126 to 137. [G4-32](#) [G4-33](#)

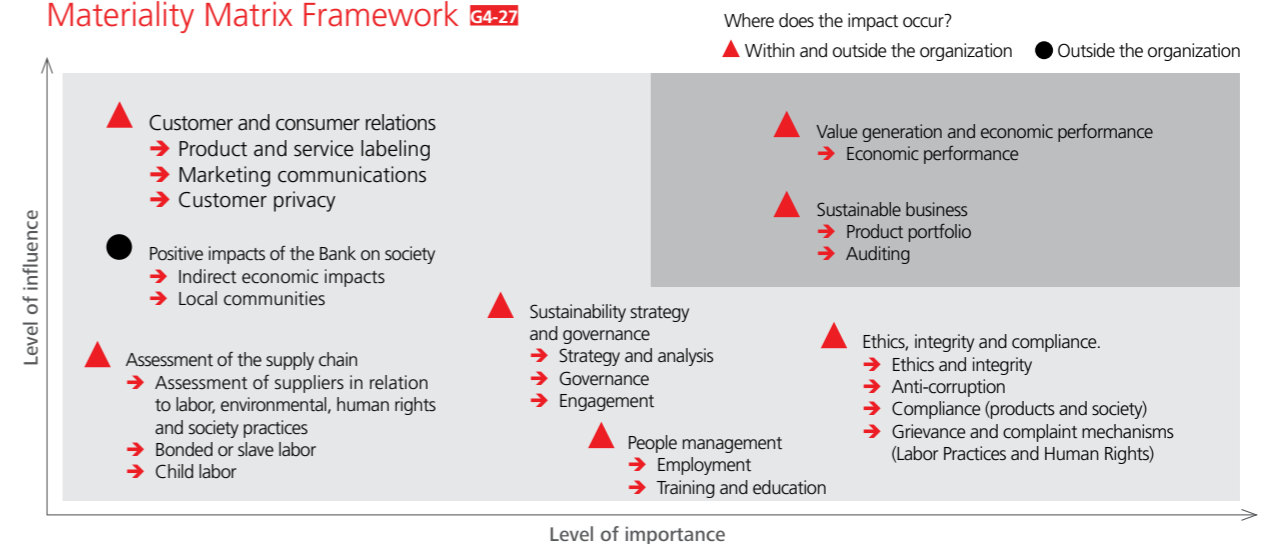
The indicators which have not been addressed in this report continue to be monitored and may be viewed at www.santander.com.br/sustentabilidade.

For any additional questions or suggestions, please contact relacoes_institucionais@santander.com.br. [G4-31](#)

THIS REPORT TOOK

6 MONTHS TO COMPLETE

Materiality Matrix Framework [G4-27](#)



REMISSIVE GRI INDEX

REMISSIVE GENERAL GRI INDEX

General Content	Item	Description	Report Page / Appendix / Reply	Reason for omission	External assurance	Global Compact
Strategy and analysis	G4-1	Message from the CEO	8, 9 / -		✓ 124, 125	
	G4-2	Key impacts, risks and opportunities	24, 49 / -		✓ 124, 125	
Organizational Profile	G4-3	Organization's name	10 / -		✓ 124, 125	
	G4-4	Key brands, products and/or services	10 / -		✓ 124, 125	
	G4-5	Location of the organization's headquarters	10 / -		✓ 124, 125	
	G4-6	Countries in which the organization operates	10 / -		✓ 124, 125	
	G4-7	Type and legal nature of the ownership	13 / -		✓ 124, 125	
	G4-8	Markets served	10 / -		✓ 124, 125	
	G4-9	Organization's size	13 / -		✓ 124, 125	
	G4-10	Employees	96 / 20		✓ 124, 125	Principle 6
	G4-11	Percentage of employees involved in collective bargaining agreements	100%		✓ 124, 125	Principle 3
	G4-12	Suppliers	99 / -		✓ 124, 125	
	G4-13	Key changes during the period covered by the report	25, 51, 54 and 76 / -		✓ 124, 125	
Commitment to external initiatives	G4-14	Application of the precautionary principle	45 / -		✓ 124, 125	
	G4-15	Charters, principles or other initiatives developed externally of an economic, environmental and social nature to which the organization subscribes or endorses.	http://sustentabilidade.santander.com.br/pt/Governanca/Paginas/Commitments.aspx		✓ 124, 125	
	G4-16	Membership in associations and/or local/ international bodies	http://sustentabilidade.santander.com.br/pt/Governanca/Paginas/Participation-in-Forums.aspx		✓ 124, 125	
Material Aspects Identified and Boundaries	G4-17	The operational structure of the organization	123 / -		✓ 124, 125	
	G4-18	Process for defining report content	123 / - The process for defining the boundaries of material aspects also involved an internal meeting with the CFO, sustainability and communication departments.		✓ 124, 125	
	G4-19	Relevant aspects identified in the process for defining report content	123, remissive index / -		✓ 124, 125	
	G4-20	Boundary for each material aspect within the organization	123 / -		✓ 124, 125	
	G4-21	Boundary for each material aspect outside the organization	123 / - Relevant aspects by group of stakeholders: - Suppliers: Assessment of suppliers (includes topics on the environment, human rights, society, labor practices, child labor, bonded or slave labor); economic performance; and auditing. - Society at large: Indirect economic impacts; local communities; and assessment of suppliers. - Customers: Training and education; social and product compliance; labeling of products and services; marketing communications; customer privacy; product portfolio; and auditing. - Shareholders: Economic performance; and social and product conformity. - Regulatory entities/Public prosecutor's office Anti-corruption; and social and product compliance. - Employees /Third parties: Grievance and complaint mechanisms; training and education; and employment. - Unions: Employment.		✓ 124, 125	
	G4-22	Restatements of information provided in previous reports	-/ The adoption of the new version of the guidelines affects the comparability of data, which is identified in notes in the indicators in question.		✓ 124, 125	
	G4-23	Significant changes in scope and aspect boundaries	-/ There were no significant changes as to the scope and boundary versus the previous year.		✓ 124, 125	

REMISSIVE GRI INDEX

REMISSIVE GENERAL GRI INDEX

General Content	Item	Description	Report Page / Appendix / Reply	Reason for omission	External assurance	Global Compact	
Engagement of Stakeholders	G4-24	List of stakeholders engaged by the organization.	-/ Stakeholders from key external groups were consulted, represented by the entities: ABRAPP, Ethos Institute, FEBRABAN and UFRJ and a survey was conducted on the Santander website answered by 21 people from different audiences. Internal leaders were also consulted, including the Board of Directors and the departments of comprehensive cost management, social/environmental risk, HR, union relations and pension fund, investor relations and quality and management of customer experience.		✓ 124, 125		
	G4-25	Basis of identification for the selection of stakeholders to be engaged.	-/ The stakeholders involved in this engagement were identified and defined by the Santander team with the support of the consultancy firm hired to assist in the preparation of the annual report. These stakeholders were selected based on their knowledge in relation to sustainability and the financial sector, in addition to their relationship, influence and interest with regard to Santander.		✓ 124, 125		
	G4-26	Stakeholder engagement approach	-/ Internal and external audiences were also consulted specifically for the 2013 report. The approach consisted of structured one-on-one interviews where the representatives from the groups of stakeholders were able to give their opinions on the issues relevant to Santander and the sector, in addition to expectations for dealing with this issue. A survey was also conducted on the Santander site.		✓ 124, 125		
	G4-27	Main topics and interests raised during the involvement of interested parties.	123/-		✓ 124, 125		
Report profile	G4-28	Period covered by the report (such as financial/calendar year) for the information submitted.	123/-		✓ 124, 125		
	G4-29	Date of the most recent report (where applicable).	122/-		✓ 124, 125		
	G4-30	Report publication cycle (yearly, two-yearly, etc.)	122/-		✓ 124, 125		
	G4-31	Contact data for questions regarding the report.	123/-		✓ 124, 125		
	G4-32	The "I agree" option selected by the organization. The GRI Content Index. The reference to the External Assurance Report	122, 123, 124 and 127 /-		✓ 124, 125		
Assurance	G4-33	External Assurance	124 and 126/-		✓ 124, 125		
Governance	Governance structure and composition	G4-34	Structure of the organization's governance	30, 33 and 34/-		✓ 124, 125	
		G4-35	Accountability for economic, environmental and social issues by the highest governance body.	31, 34/-		✓ 124, 125	
		G4-36	Appointment of positions in charge of economic, environmental and social issues.	33/-		✓ 124, 125	
		G4-37	Consultation and/or communication channel between stakeholders on economic, social and environmental issues.	36/-		✓ 124, 125	
		G4-38	Composition of the highest governance body and committees.	31, 33 and 34/-		✓ 124, 125	
		G4-39	Chair of the highest governance body.	28/-		✓ 124, 125	
		G4-40	Nomination and selection process for the highest governance body and committee members.	30 and 31/-		✓ 124, 125	
		G4-41	Processes to ensure the prevention and management of conflicts of interest.	28, 30 and 37/-		✓ 124, 125	
		Role of the highest governance body in the definition of purpose, objective, values and strategy.	G4-42	Role of the highest governance body in relation to economic, social and environmental impacts.	29/-		✓ 124, 125
		Powers and performance assessment of the highest governance body	G4-43	Initiatives to develop and improve the collective economic, environmental and social knowledge of the highest governance body.	31/-		✓ 124, 125
			G4-44	Processes for assessing the performance of the highest governance body.	30/-	Confidential data concerning strategic information	✓ 124, 125
		The role of the highest governance body in risk management	G4-45	The role of the highest governance body in the identification and management of economic, environmental and social risks and opportunities.	29; 30/-		✓ 124, 125
			G4-46	The role of the highest governance body in the risk management processes for economic, environmental and social issues.	29; 30/-		✓ 124, 125
			G4-47	The frequency with which the highest governance body reviews economic, environmental and social impacts.	The processes vary in accordance with the relevance of the cases, and, if necessary, are taken to the Board of Directors guidance committees. Issues involving market communication are referred to the Disclosure Committee.		✓ 124, 125

REMISSIVE GRI INDEX

REMISSIVE GENERAL GRI INDEX

General Content	Item	Description	Report Page / Appendix / Reply	Reason for omission	External assurance	Global Compact		
Governance	Role of the highest governance body in the preparation of the Sustainability Report	G4-48	The highest committee or entity which analyzes and officially approves the organization's sustainability report.	123/-	✓	124, 125		
		G4-49	Process adopted to disclose critical concerns to the highest governance body. Nature and total number of critical issues disclosed to the highest governance body.	31/-	✓	124, 125		
	Compensation and incentives	G4-50	Compensation for the highest governance body and senior executives and if the performance criteria in the compensation policy apply to the economic, environmental and social objectives.	- / -	Confidential data concerning strategic information	✓	124, 125	
		G4-51	Compensation for the highest governance body and senior executives and if the performance criteria in the compensation policy apply to the economic, environmental and social objectives.	Page 73 - DFs The meeting of the Bank's Board of Directors held on 27 February 2013 approved, in accordance with the favorable recommendation of the Compensation and Appointments Committee, the proposal for the overall compensation of the management (Board of Directors and Executive Board) for the financial year 2013, to the amount of up to R\$ 300,000, covering fixed and variable compensation and based on shares and other benefits. The proposal was approved at the General Board Meeting held on 29 April 2013.	✓	124, 125		
		G4-52	Process to determine compensation.	31/-	✓	124, 125		
		G4-53	The stakeholders' opinions on compensation.	-/-	Santander addresses the issue in the engagement survey administered twice a year to employees, but does not disclose the results as this is strategic data.	✓	124, 125	
		G4-54	The ratio of the average annual compensation for the highest-paid individual in the organization and the total average annual compensation for all employees.	-/-	Confidential data concerning strategic information	✓	124, 125	
		G4-55	The ratio of percentage increase in annual compensation for the highest-paid individual in the organization to the average percentage increase in annual compensation for all employees.	-/-	Confidential data concerning strategic information	✓	124, 125	
		Ética e integridade	G4-56	Describe the organization's values, principles, standards and norms such as codes of conduct and ethics.	36/- Values: http://www.santander.com/cs/gs/Satellite/CFWC.SancomQP01/pt_BR/Corporativo/Valores.html (Santander Brasil adheres to the values of Grupo Santander, however there is no Santander Brasil link with this information)	✓	124, 125	Principle 10
			G4-57	Internal and external mechanisms geared to guidance on ethical and legal behavior.	38 and 39 / 8 to 10, 30 to 32	✓	124, 125	Principle 10
G4-58	Internal and external mechanisms adopted by the organization to disclose concerns in relation to behavior which is unethical or incompatible with the law.		38/-	✓	124, 125	Principle 10		

SPECIFIC REMISSIVE GRI INDEX

Category	Material Aspect (G4-19)	Material Issue	DMA / Indicator	Report Page / Appendix / Reply	Reason for omission	Assurance	Global Compact
Economic	Economic performance	Value creation	DMA Economic performance	52 to 69 / 14;15		✓	124, 125
			EC1 - Direct economic value created and distributed	52 to 69 / 16 The distribution of added value can be found on pages 21 to 23 of the Financial Statements.	✓	124, 125	
			EC2 - Financial implications and other risks and opportunities for the organization's activities arising from climate change.	110;111 / 16	Data not available, does not specify the risks arising from climate change.	✓	124, 125
		NA - Not material	EC3 - Coverage of the obligations included in the organization's defined benefit plan.	-/-	Despite being part of a material aspect, this indicator has not been reported due to the fact the information in connection therewith was not regarded as relevant by the stakeholders for inclusion in the 2013 annual report.	✓	124, 125
			EC4 - Financial assistance received from the government.	-/-	Despite being part of a material aspect, this indicator has not been reported due to the fact the information in relation to the same was not regarded as relevant by the stakeholders for inclusion in the 2013 annual report.	✓	124, 125
	Indirect economic impacts	Positive impacts of the Bank on society	DMA - Indirect economic impacts	110 / 22;23	✓	124, 125	
			EC7 - Development and impact of infrastructure investments and services provided.	80 / 23 to 29	Data not available, impact assessment studies are not conducted.	✓	124, 125
			EC8 - Significant indirect economic impacts, including the extent of the impacts.	- / 23 to 29	Data not available, impact assessment studies are not conducted.	✓	124, 125

REMISSIVE GRI INDEX

SPECIFIC REMISSIVE GRI INDEX

Category	Material Aspect (G4-19)	Material Issue	DMA / Indicator	Report Page / Appendix / Reply	Reason for omission	Assurance	Global Compact
Environmental	Environmental assessment of suppliers	Assessment of the supply chain	DMA - Assessment of Suppliers	38;39;99 / 4 to 6		✓ 124, 125	
			EN32 - Percentage of new suppliers selected in accordance with environmental criteria.	- / 6		✓ 124, 125	Principle 8
			EN33 - Actual and potential significant negative environmental impacts in the supply chain and measures taken in connection therewith.	- / 6		✓ 124, 125	Principle 8
Labor practices	Employment	People management	DMA - Employment	- / 17		✓ 124, 125	
			LA1 - Total number and rates of new employee recruitment and turnover by age group, gender and region.	- / 20;21		✓ 124, 125	Principle 6
			LA2 - Benefits granted to full-time employees which are not offered to temporary or part-time employees, broken down into the organization's major operational departments.	- / 20		✓ 124, 125	
			LA3 - Return to work and retention rates after maternity/paternity leave, broken down by gender.	- / 21		✓ 124, 125	Principle 6
	Training and education	People management	DMA - Training and education	- / 49 to 53		✓ 124, 125	
			LA9 - Average number of hours of training per year per employee, broken down by gender and employee category.	- / 51		✓ 124, 125	Principle 6
			LA10 - Programs for skills management and lifelong learning which support the continued employability of employees and assist them in preparing for retirement.	- / 52 There was no retirement preparation program in 2013.		✓ 124, 125	
			LA11 - Percentage of employees receiving regular performance and career development reviews, broken down by gender and employee category.	- / 52		✓ 124, 125	Principle 6
	Suppliers in relation to Labor Practices	Assessment of the supply chain	DMA - Assessment of Suppliers in relation to Labor Practices	24 / 4 to 6		✓ 124, 125	
			LA14 - Percentage of new suppliers selected in accordance with labor practice criteria.	- / 6		✓ 124, 125	
			LA15 - Actual and potential significant negative environmental impacts on labor practices in the supply chain and measures taken with regard to the same.	- / 6		✓ 124, 125	
Grievance and complaint mechanisms in relation to Labor Practices	Ethics and Integrity and Compliance	DMA - Grievance and complaint mechanisms in relation to Labor Practices	- / 30;32		✓ 124, 125		
		LA16 - Number of grievances and complaints related to labor practices filed, addressed and resolved via formal grievance mechanisms.	- / 32		✓ 124, 125		
Human Rights	Child labor	Assessment of the supply chain	DMA - Child labor	- / 4;5		✓ 124, 125	
			HR5 - Operations and suppliers identified as having significant risk for incidents of child labor and measures taken to contribute to the effective abolition of child labor.	- / 6		✓ 124, 125	Principle 5
	Forced or compulsory labor	Assessment of the supply chain	DMA - Forced or compulsory labor	- / 4;5		✓ 124, 125	
			HR6 - Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor and measures to contribute to the elimination of all forms of forced and compulsory labor.	- / 6		✓ 124, 125	Principle 4
	Assessment of Suppliers in relation to Human Rights	Assessment of the supply chain	DMA - Assessment of Suppliers in relation to Human Rights	99 / 4 to 6		✓ 124, 125	
			HR10 - Percentage of new suppliers selected in accordance with human rights criteria.	- / 6		✓ 124, 125	Principle 2
			HR11 - Actual and potential significant negative human rights impacts in the supply chain and measures taken with regard to the same.	- / 6		✓ 124, 125	Principle 2
	Grievance and Complaint Mechanisms in relation to Human Rights	Ethics and Integrity and Compliance	DMA - Grievance and Complaint Mechanisms in relation to Human Rights	- / 30;32		✓ 124, 125	
			HR12 - Number of grievances and complaints related to human rights filed, addressed and resolved via formal mechanisms.	- / 32		✓ 124, 125	Principle 1, 2

REMISSIVE GRI INDEX

■ SPECIFIC REMISSIVE GRI INDEX

Category	Material Aspect (G4-19)	Material Issue	DMA / Indicator	Report Page / Appendix / Reply	Reason for omission	Assurance	Global Compact
Society	Local Communities	Positive impacts of the Bank on society	DMA - Local Communities	79 / 46,47		✓	124, 125
		NA - Not material	SO1 - Percentage of operations with implemented local community engagement, impact assessments and development programs.	-/-	Despite being part of a material aspect, this indicator has not been reported due to the fact the information in relation to the same was not regarded as relevant by the stakeholders for inclusion in the 2013 annual report.	✓	124, 125 Principle 1
			SO2 - Operations with significant and actual negative impacts on local communities.	-/-	Despite being part of a material aspect, this indicator has not been reported due to the fact the information in relation to the same was not regarded as relevant by the stakeholders for inclusion in the 2013 annual report.	✓	124, 125
		Positive impacts of the Bank on society	FS13 - Access points in sparsely populated or economically deprived areas by type.	79 / 47		✓	124, 125
			FS14 - Initiatives to improve access to financial services for disabled people.	97 / 48		✓	124, 125
	Anti-corruption	Ethics and Integrity and Compliance	DMA - Anti-corruption	- / 7,8		✓	124, 125
			SO3 - Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	- / 8	Missing data not monitored.	✓	124, 125 Principle 10
			SO4 - Communication and training on anti-corruption policies and procedures.	96;99 / 9	Missing data not monitored.	✓	124, 125 Principle 10
			SO5 - Confirmed incidents of corruption and action taken.	- / 9		✓	124, 125 Principle 10
	Compliance - Society	Ethics and Integrity and Compliance	DMA - Compliance - Society	- / 12	Missing data not available.	✓	124, 125
			SO8 - Cash value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	- / 13		✓	124, 125
	Assessment of Suppliers in relation to Impact on Society	Assessment of the supply chain	DMA - Assessment of suppliers in relation to impact on society	24 / 4 to 6		✓	124, 125
			SO9 - Percentage of new suppliers selected in accordance with criteria concerning impacts on society.	- / 6		✓	124, 125
			SO10 - Significant actual and potential negative environmental impacts on society in the supply chain and measures taken with regard to the same.	- / 6,7		✓	124, 125
	Products	Labeling of products and services	Customer and consumer relations	Labeling of products and services	- / 42,43		✓
PR3 - Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.				-42, 43	Missing data not monitored.	✓	124, 125
PR4 - Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.				- / 43		✓	124, 125
PR5 - Results of surveys measuring customer satisfaction.				- / 43;44		✓	124, 125
FS15 - Policies for the good development and sale of financial products and services.				- / 44;45		✓	124, 125
FS16 - Initiatives to improve financial education by type of beneficiary.				- / 45		✓	124, 125
Marketing communications		Customer and consumer relations	Marketing communications	- / 10	Missing data not available.	✓	124, 125
			PR6 - Sale of banned or disputed products.	37 / 11		✓	124, 125
			PR7 - Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	- / 11		✓	124, 125
Customer Privacy		Customer and consumer relations	Customer Privacy	38 / 40;41	Missing data not available.	✓	124, 125
			PR8 - Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	38 / 41		✓	124, 125
Customer Privacy		Ethics and Integrity and Compliance	Compliance	- / 12;13	Missing data not available.	✓	124, 125
			PR9 - Cash value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	- / 13		✓	124, 125

REMISSIVE GRI INDEX

SPECIFIC REMISSIVE GRI INDEX

Category	Material Aspect (G4-19)	Material Issue	DMA / Indicator	Report Page / Appendix / Reply	Reason for omission	Assurance	Global Compact
Financial Supplement	Product portfolio	Sustainable Business / Sustainability Strategy and Governance	Product portfolio	- / 33;34;35		✓	124, 125
			FS1 - Description of policies with specific environmental and social components applied to business lines.	45 / 33;34		✓	124, 125
			FS2 - Description of procedures for assessing and screening environmental and social risks in business lines.	45 / 34;35		✓	124, 125
			FS3 - Processes for monitoring customers' implementation of and compliance with social and environmental requirements included in agreements or transactions	- / 36		✓	124, 125
			FS4 - Description of processes for improving the skills of personnel in relation to the implementation of the environmental and social policies and procedures applied to business lines	- / 37		✓	124, 125
			FS5 - Interaction with customers/investors/business partners in relation to environmental and social risks and opportunities.	75;99 / 37		✓	124, 125
			FS6 - Customer portfolio percentage per region, size and sector	- / 38 Santander defines 14 critical sectors which may have a social and environmental impact, but does not define regions.		✓	124, 125
			FS7 - Cash value of the products and services created to provide a specific social benefit for each line of business, broken down by purpose.	79 / 39	Missing confidential data concerning strategic information	✓	124, 125
			FS8 - Cash value of the products and services created to provide a specific environmental benefit for each line of business, broken down by purpose.	- / 39	Missing confidential data concerning strategic information	✓	124, 125
			Auditing	Sustainable business	Auditing	- / 2;3	
FS9 - Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	- / 3					✓	124, 125
Category	Non-material aspect	Material Issue	DMA / Indicator	Report Page / Appendix / Reply	Reason for omission	External assurance	Global Compact
Environmental	Material	N/A - Not material	EN1 - Materials used, broken down by weight or volume.	114 / -		✓	124, 125 Principle 7, 8
	Energy	N/A - Not material	EN3 - Consumption of energy within the organization	114 / -		✓	124, 125 Principle 7, 8
			EN6 - A reduction in the consumption of energy	113 / -		✓	124, 125 Principle 8, 9
	Water	N/A - Not material	EN10 - Percentage and total volume of water recycled and reused.	114 / -		✓	124, 125 Principle 8
	Emissions	N/A - Not material	EN15 - Direct greenhouse gas (GHG) emissions (Scope 1)	114 / 53		✓	124, 125 Principle 7, 8
			EN15 - Indirect greenhouse gas (GHG) emissions arising from the acquisition of energy (Scope 2)	114 / 53		✓	124, 125 Principle 7, 8
			EN17 - Other indirect greenhouse gas (GHG) emissions (Scope 3)	114 / 53		✓	124, 125 Principle 7, 8
			EN20 - Emissions of substances harmful to the ozone layer.	- / 53		✓	124, 125
	Effluents and waste	N/A - Not material	EN23 - Total weight of waste by type and method of disposal.	114 / -		✓	124, 125 Principle 8
	Transport	N/A - Not material	EN30 - Significant environmental impacts of transporting products and other goods and materials used for the organization's operations and for transporting members of the workforce.	115 / -		✓	124, 125 Principle 8
Labor practices	Diversity and Equal Opportunities	N/A - Not material	LA12 - Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity.	- / 19	Non-material data	✓	124, 125 Principle 6
Human Rights	Anti-Discrimination	N/A - Not material	HR3 - Total number of incidents of discrimination and corrective action taken.	39 / -		✓	124, 125 Principle 6
Products	Customer Health and Safety	N/A - Not material	PR1 - Percentage of significant categories of products and services assessed for their impact on health and safety with a view to improvements.	100 / -		✓	124, 125
Financial Supplement	Active participation	N/A - Not material	FS11 - Percentage of assets subjected to positive and negative social or environmental screening.	- / 39		✓	124, 125

NA: Not Available

Carbon credits: Certificates issued to an enterprise or organization which has reduced their emissions of greenhouse gases (GHG). The generators of carbon credits may sell them to enterprises which exceed their emission targets or which voluntarily offset their emissions. The carbon market is a mechanism to promote and coordinate the reduction in GHG emissions.

Scope 1 CO2 emissions: Emissions directly related to the company's operations arising from activities involving generators, the burning of fuels, mobile fleet, fire extinguishers and air conditioning systems.

Scope 2 CO2 emissions: emissions indirectly related to the company's operations arising from the consumption of energy purchased from the National Grid (SIN).

Scope 3 CO2 emissions: indirect emissions arising from the company's activities, but from sources which do not belong to or which are not controlled by the company. These include emissions in relation to business flights and the production of paper and other materials used in the company's operations.

Private Equity Funds: Also known as Share Investment Funds. They generally invest in the management of private sector enterprises in an attempt to increase the value of the firm in the medium term and then sell the interest at a profit.

The Basel Ratio: This ratio illustrates the ratio between the loans granted and the Bank's equity level. The Central Bank requires a minimum Basel Index of 11%, which means a financial institution needs at least R\$ 11 of equity for each R\$ 100 loaned.

Coverage Ratio: This ratio illustrates the relationship between the loans granted by a bank and the balance of its outstanding portfolio. A coverage ratio of 180% shows the institution has R\$ 1.80 provisioned for each R\$ 1 outstanding .

Efficiency Ratio: The division of overall expenses by the company's revenues. An efficiency ratio of 45%, for example, indicates that a bank generates R\$ 100 in revenues for every R\$ 45 in expenses. The lower the ratio, the more efficient the company.

Recurrence Ratio: Consists of the ratio between fee income and the Bank's overall expenses. A recurrence rate of 70% means the company covers 70% of its costs with this revenue line.

Gross Interest Income: It shows the difference between net interest income and expenses arising from financial brokerage activities (for additional information on financial brokerage, see the infographics on page 15). The figures do not include loan provisions in financial brokerage costs.

PABs (Banking Service Stations): A service outlet located on the premises of a government administration building or private enterprise. These service outlets are always subordinate to a branch in the same municipality. They may use different opening hours.

PDD: Provisions for non-paying loans and bad debtors.

Provisions: Reserves created by banks to cover loss forecast for future periods, in connection with both client default and legal issues such as lawsuits such as civil and labor grievances.

Provisions for non-performing loans This metric shows the difference between loan provisions expenses and any revenues obtained from the activity involving the recovery of overdue loans.

ROAE: ROAE, or Return on Average Equity, is a measure of profitability. It consists of net income divided by the average net equity calculated for the same period. Hence, this shows when the company generates profit on shareholder equity.

ATTACHMENT

GRI Content Breakdown

THIS SECTION PROVIDES READERS WITH A BREAKDOWN OF THE 14 ITEMS DEEMED TO BE MATERIAL IN THE NEW SANTANDER BRAZIL RELEVANCE MATRIX CONDUCTED IN 2013. THE TEXT PROVIDES A RESPONSE AS TO WHY ANY SUCH ITEMS ARE MATERIAL AND INCLUDES THE MANAGEMENT, PRACTICES AND COMMITMENTS IN PLACE IN CONNECTION THEREWITH.

2.	SOCIAL/ ENVIRONMENTAL RISK AUDIT	15.	ECONOMIC PERFORMANCE	40.	CUSTOMER PRIVACY
4.	SUPPLIER ASSESSMENT	18.	EMPLOYMENT	42.	PRODUCT AND SERVICE LABELING
8.	ANTI-CORRUPTION	22.	INDIRECT ECONOMIC IMPACT	46.	LOCAL COMMUNITIES
11.	MARKETING COMMUNICATIONS	30.	GRIEVANCE AND COMPLAINT MECHANISMS	49.	TRAINING AND EDUCATION
13.	SOCIAL/PRODUCT COMPLIANCE	33.	PRODUCT PORTFOLIO	53.	GREENHOUSE GAS INVENTORY

SOCIAL/ENVIRONMENTAL RISK AUDIT

Materiality, impacts and item control mechanisms

Conducting audits in the Social and Environmental Risk (RSA) analysis is a material item at Santander because it strengthens our work processes while improving risk management and ensuring the compliance with internal policies, regulatory requirements and international covenants. Strong RSA analyses are key to our goal of promoting sustainable business.

The main positive impacts in connection with this item are improved work processes, compliance with internal policies and external regulators while providing information on the main item to the Bank top management. On the other hand, without an audit the governance for this topic is weaker, while internal processes may be subject to loss of efficiency, thereby exposing the Bank to regulatory risks.

In order to monitor this item, the Bank adopted a process to verify the compliance with internal policies and regulatory requirements. To that effect, we conduct tests with random samples; we interview employments, and provide recommendations for improvement.

This topic is conducted by the Auditing Executive Board.

Policies and commitments

The audit work performed in credit portfolios abides by the internal guidelines on credit risk evaluation, which includes social and environmental risk assessment for certain clients. The benchmarks used to develop the internal standards are our Social and Environmental Policies.

In 2013, the Bank was committed to conduct auditing in areas such as Corporate and Global Banking & Markets, in Wholesale.

Management approach assessment

A report on the outcome of the auditing work is sent to the Bank's Executive Committee, which includes the person in charge of the audited area. In case there are any recommendations for work process improvement, the relevant area is in charge of implementing any such recommendations.

Indicators Consolidation

Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures **G4-FS9**

This work is performed on an annual basis by the Bank's internal audits via a random client sample in 14 sectors that are deemed to have the strongest social and environmental impact¹, with credit limits or risk in excess of R\$ 1 million in Wholesale, notwithstanding their geographic location.

These clients are required to complete the Social/ environmental Questionnaire (QSA), which is assessed by the Social/Environmental Risk (RSA) team. The current focus are potential consequences, whether direct or indirect, of client activity such as reductions in cash flow, loss of assets, reputational risk, risk to public health, loss of natural ecosystems. In addition, there is a special Social and Environmental Risk Policy for the arms segment, which sets out criteria for clients in the sector. Project Finance requires specific analysis and compliance with the Equator Principles. The acceptance of new clients in Wholesale also involves social/environmental analysis carried out by the Compliance/ Money Laundering Prevention (UPLD) area.

1. The 14 sectors are: 1. Agriculture and cattle-raising; 2. Collection, treatment, recycling and disposal of solid waste (domestic, industrial and hospital); 3. Civil construction; 4. Builders and developers; 5. Energy generation, transmission and distribution; 6. Hospitals and labs; 7. Manufacturing Industry; 8. Oil/Natural gas drilling and exploration; fuel distributors and service stations; 9. Lumber mills, sawmills, development, furniture and stores; 10. Metalworks, steelworks, pig iron and electroplating; 11. Mining; 12. Fishing and aquaculture; 13. Transport, terminals, except for passengers, and warehouses; 14. Biological diversity, forestry and forestry products.

SUPPLIER ASSESSMENT

Materiality

The supplier assessment item in connection with issues such as environmental, labor, human rights, society and ethics is overseen by the Cost, Organization and Efficiency Executive Office and this is very relevant for the Bank as we rely on a wide range of suppliers that can cause a number of impacts. This is why the Bank performs risk assessment and chain control and monitoring. In fact, the Bank makes its purchases in high volumes and may be considered an influencer for suppliers and other chains. This item may affect the Bank's reputation, and is connected to regulations, laws, international covenants or voluntary agreements with strategic importance for the Bank and its stakeholders.

Impacts

The Bank has more than a thousand suppliers and as such we must have a careful management of our chain in order to avoid doing business with companies that have inadequate social and environmental practices. An ineffective management in this area may expose the company to reputational risks while strengthening undesired practices.

The list of the Bank's suppliers includes firms in a number of segments, such as home builders, transport of valuables, call centers, security firms, and some of them are deemed to be critical under the social and environmental point of view.

In 2013, Santander Brazil performed a diagnosis to identify high-impact suppliers under the social and environmental aspect; this criterion has become integral part of the supplier classification process beginning in 2014. The impacts we identified were:

- Environmental - the heavy use of natural resources; strong emission of greenhouse gases; waste generation; the risk of environmental fines and the heavy use of water and energy.

- Human rights - bonded or forced labor; child labor; low ethical standards and corruption.

- Labor practices - risk of work-related accidents and inadequate training.

Policies

The process of hiring suppliers who are willing to do business with the Bank is backed-up by documents which include topics such as no child labor, no bonded labor and the principles of human rights, labor laws, environmental protection, anti-corruption practices and dissemination of good practices, to name a few.

The Approval Policy: This policy regulates the procedures needed for supplier registry and approval. High-impact suppliers are defined as those suppliers who have a high risk or impact on Santander business. The policy also sets out the basic technical analyses that will be performed within the "Corporate Social Responsibility" criterion. This criterion used the UN Global Compact (human rights, environment, action against corruption), of which Brazil is a signatory, as benchmark. The guidelines in this policy, which are available internally only, were determined by the Santander Group.

The Supplier Relationship Policy: This policy includes principles such as human rights, labor laws, environmental protection, action against corruption, and professional ethics, which must be respected by all our suppliers while promoting the ten principles of the UN Global Compact. Other benchmarks used to create this policy are the legislation in force, and the social, environmental and ethical performance Indicators embraced by the Bank such as the Corporate Sustainability Index (the "ISE"), the Global Reporting Initiative (the GRI) and the *Empresa Pró-Ética* Register.

Commitments

Santander Brazil is a signatory of two covenants that guide the ethical, transparent relationship with suppliers: the *Empresa Pró-Ética* Register and the *Pacto Empresarial pela Integridade e Contra Corrupção* (the Corporate Covenant for Integrity and Against Corruption).

Control and assessment mechanisms

Potential suppliers undergo an assessment involving several steps, including an agreement with social and environmental responsibility, human rights and ethics, in order to avoid any risks of occurrences.

In bidding processes, the first step takes place upon the acceptance, by the supplier, of the Request for Quotation attachment ("RFQ"). In cases where no bidding is required, the process begins in the approval phase. In this phase, suppliers are assessed as to technical, administrative, legal and social/environmental aspects.

The Bank has in place a supplier rating index, i.e., the *Índice de Qualificação de Fornecedores* (IQF), applicable to high-impact services such as technology, security, logistics and the call center. Since the first half of 2013 every supplier that was hired by the Bank underwent a background check with the Federal Government Comptroller-General (the CGU).

Indicators Consolidation

The rate of new suppliers hired based on environmental criteria, labor laws, human rights and impacts on society

G4-EN32 G4-LA14 G4-HR10 G4-SO9

At Santander Brazil, 100% of suppliers are selected based on social/environmental criteria (including issues such as labor laws, human rights, and impacts on society), to the extent that throughout the approval process, any bidders in bidding where this item is applicable must be compliant with the RFQ, with these requirements being included as a clause in the supply agreement.

Actual and potential material impacts in the supplier chain and action taken about it

G4-EN33 G4-LA15 G4-HR11

G4-SO10

High-impact suppliers go through the same process as described above (the Control and Assessment Mechanisms). In 2013, from the 1.515 active suppliers, 293 underwent impact assessments, i.e., approximately 20%.

In case of a new high-impact supplier, a compliance visit is scheduled by specialists, based on the Self-Assessment questionnaire filled out by the supplier and submitted at the beginning of the assessment process. The questionnaire (IQF) generates a rating (varying between 1 and 4); in case the rating is below 2, the firm is considered unfit to be hired and its records are blocked. However, if the manager in the area in charge of the contract is interested in hiring the supplier, he/she will seek authorization so that the approval process proceeds. In addition, the area should take on the commitment to request an action plan for improvements from the supplier. The approval process is updated on a regular basis; in the case of business critical suppliers, the update is done on an annual basis. The benchmarks used in the process to identify adequate suppliers are the Global Compact and the ISE.

Beginning in 2014, any suppliers deemed as with a high social/environmental impact will be included in the approval process that requires the application of the IQF.

No contracts were suspended in 2013.

Operations and suppliers identified as having significant risk for incidents of forced, child or bonded labor and actions taken

G4-HR5 G4-HR6

High-impact suppliers are subjected to compliance inspection visits. These visits, performed by specialists, reveal whether or not the supplier has in place adequate labor practices. In 2013 the visits did not detect any evidence of irregularities in connection with forced, child or bonded labor.

In order to contribute with the eradication of child labor, the Bank requires that the hiring of suppliers deemed as high-impact includes documents that deal with the topic such as clauses in services and supply agreements. For other agreements, we use a simplified clause that deals with social/environmental items. This clause was updated in 2013.

In addition, it encourages suppliers to embrace the Global Compact principles. New suppliers also sign a declaration to the effect that they do not use child labor and bonded labor.

Considering the above mechanisms, no cases of bonded or forced labor were detected during the year.

ANTI-CORRUPTION

Materiality

The Anti-Corruption item, in charge of the Compliance Office, is material to the Bank because it is associated with the compliance with both laws and the Organization's ethical principles; it also represents both a reputational and a financial risk.

At Santander we believe that transparent bank practices strengthen the relationship with our investors and clients; it helps identify and manage any potential conflicts of interest, while ensuring that any investments made by the bank are not treated as bribery.

Impacts - A strong governance that prevents the involvement of the Bank in corruption cases contributes to the Bank's image as an honorable company, recognized by both the market and the society at large.

The opposite would lead to loss of trust among stakeholders while increasing the risk of reputational damage and financial loss via fines and sanctions.

In order to minimize negative impacts while highlighting positive impacts Santander has in place special policies that are communicated to employees, including training sessions on the action against corruption. In addition, It has a Compliance team that is dedicated to areas with a relationship with the sector; the Service Channel in Compliance to guide employees with information and clarification; a Reporting Channel for inadequate behavior, corruption and bribery, to name a few. The Bank has also a process to verify any participation of the Bank's Board members in requests for sponsoring, in order to identify any potential conflicts of interest. We are also committed to ensuring the applicability of Anticorruption Act 12.846/13 in cases of corruption by the Executive Committee or Compliance. In terms of the governmental sector, the Bank acts via specific areas to service the sector in order to ensure good practices to promote integrity in the deals.

Policies and Commitments

The Bank has the following policies in our efforts against corruption: Action against Corruption and Bribery; Money Laundering Prevention, Conflict of Interest in the Commercial Network; Relationship with Suppliers; Presents, Gifts & Entertainment; Transactions with Related Parties; Institutional Sponsoring and Commercial Network Sponsoring, including the Code of Ethics, the Code of Conduct in the Stock Markets and the Santander Reporting Channel. These policies and channels are based on internal and external standards, including the Anti-Corruption Act 12.846/13.

In 2013 the Bank adhered to the *Empresa Pró-Ética* Register, maintained by the Federal Government Comptroller-General, i.e., the *Controladoria Geral da União (CGU)*, and the *Pacto Empresarial para Integridade e Contra a Corrupção* by the Instituto Ethos.

Created in a joint effort by the Controladoria Geral da União (CGU) and the Instituto Ethos, the *Empresa Pró-Ética* Register is an initiative that disseminates policies implemented by organizations in order to create a corporate environment that is both honest and transparent. In order to be included in the Register the firm executes a public commitment in which it agrees to adopt actions to promote ethics and prevent corruption.

In turn, the *Pacto Empresarial pela Integridade e Contra Corrupção* (a business pact against corruption) in an initiative by the Instituto Ethos that stimulates businesses to embrace “the commitment of creating awareness among their employees and stakeholders about the Brazilian anticorruption laws in order to ensure full compliance. The signatory firms are committed to prohibit any type of bribery, while working for the legality and transparency in their contributions to political campaigns and using transparent information and cooperating with investigations as needed”. (www3.ethos.org.br)

Assessment Mechanisms

In order to monitor management actions while increasing their effectiveness, the Bank strives for business results under ethical principles and good corporate governance. The areas involved in this process perform a survey of any such actions, their impacts on business and the improvement of process prioritization criteria. The outcomes are communicated to the relevant teams and in case of any circumstances that warrant process improvement they are discussed with the relevant department heads.

The Bank ensures that our internal policies, business principles and values are followed by our employees via communications and training programs.

By the end of 2013 we were not aware of any corruption-related facts involving Santander.

Indicators Consolidation

Total number and percentage of operations assessed for risks related to corruption and the significant risks identified G4-SO3

In 2013, the 58 cases of sponsoring activities involving cash to the Governmental Sector were assessed by the Compliance area. Another 100 processes involving sponsoring to the Private Sector were also submitted to the office and all underwent the standard analysis. The assessments did not detect any significant risks in connection with corruption, either in public or private sponsoring.

Communication and training on anti-corruption policies and procedures G4-SO4

The corruption topic is dealt with in lectures, meetings, classroom training sessions and in web-based courses, including code of ethics, money laundering prevention, information security and prevention of fraud. In 2013, 34,386 people (69% of employees) underwent these training sessions. In addition, all employees were made aware of the Anticorruption Policy and the update of the new Code of Ethics, which was validated by both the Executive Committee and the Board of Directors.

Number of employees trained in anti-corruption policies and procedures, by employee category G4-SO4

■ TRAINING BREAKDOWN BY POSITION LEVEL

	# Employees trained	# Employees per category	%
Operations	13,655	18,114	75.4
Administrative	16,881	24,954	67.6
Specialists	3,541	5,735	61.7
Managerial	246	616	39.9
Executive Officers	63	202	31.2
Grand Total	34,386	49,621	69.3

Number and rate of suppliers which received anti-corruption policies and procedures embraced by the Organization, per type of partner and region G4-SO4

This topic is made integral part of the approval process for suppliers that aspire to do business with the Bank. Any companies that undergo a bidding process are required to accept a Request for Quotation (RFQ) that includes the UN Global Compact Principles. Then the potential supplier undergoes approval during which technical, administrative, legal and social/environmental processes are considered.

Confirmed incidents of corruption and actions taken G4-SO5

In 2013 there were no legal action entered in connection with corruption involving Santander; also, there were no complaints involving corruption cases in the Santander Reporting Channel. The Bank is not aware of any corruption cases involving our suppliers.

MARKETING COMMUNICATIONS

Materiality

The sale of prohibited or challenged products is important for the Bank because this is a reputation issue, including legal risk and the degree of influence the Bank holds with our stakeholders.

In order to ensure that prohibited products and services are not offered to stakeholders, the Bank has in place a governance level in charge of the approval, marketing and monitoring of products and services.

The goal is to avoid that any products are marketed before their general characteristics, risks, controls, legal feasibility and operating, accounting, and technological procedures, to name a few, are both identified and assessed by all relevant technical areas. This assessment has two issues in view: impacts for the bank and impacts for the clients.

As applicable, the Corporate Marketing Committee (based in Spain) is involved in the assessment and approval process for products. According to the corporate policy, upon approval, the marketing of products remains under surveillance.

Policies and Commitments

The Bank also follows internal and external guidelines to ensure that prohibited products and services are not marketed. Internally, the drivers are our Code of Ethics, the Product and Service Marketing Policy and the monitoring of product sale, under the approved business standards. Externally, the Banking Sector Self-Regulating Code (issued by FEBRABAN), the codes issued by the *Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais* (Anbima) and the standards in place by regulatory bodies: the Central Bank, the Brazilian SEC (the "CVM"), and the Private Insurance Agency (the SUSEP).

Our advertising communication is based on transparency, simplicity and clarity. When developing campaigns that involve the launch of products or depict a product category, the Bank strives to present product characteristics in a clear manner thereby avoiding ad jargons or productions that confuse the audiences; in addition to guiding consumers as to the best use of products and their adequateness; clearly state the product or service's purpose; and state the channels available to the consumer for additional information.

The Bank's philosophy is that adequate, clear information about products and services is integral part of both product communications and design. Thus, when designing a product or service, the Bank conducts a pre-test of its characteristics and how it should be presented to consumers. This practice provides a true perception of how consumers will understand the ad while allowing for any corrections both in the product and in communications.

Indicators Consolidation

The sale of banned or disputed products **G4-PR6**

The Bank uses Article 31 of the Consumer Defense Code as a benchmark in this area. Prior to being made available for sale, the Bank's products and services are subjected to the approval process according to internal policies in force.

In 2013, the product with the highest number of complaints was credit cards. The non-delivery of the card or its invoice; charging annual fees; non-acknowledged payments; and non-recognized charges are the main reasons for complaints.

Most complaints are placed via Customer Service, with authority to solve problems such as reversals and canceling. In cases that are beyond this authority level, the complaint is routed to a supporting group in charge of resolving the issue.

Compliance with regulations in connection with marketing communications **G4-PR7**

In connection with the number of incidents and sanctions for noncompliance with voluntary regulations and codes in communications and marketing, the Bank did not record any complaints in 2013 involving the Brazilian Council for Self-Regulation in Advertising (the Conar).

SOCIAL/PRODUCT COMPLIANCE

Materiality and Responsibility

The responsibility for Social/Product Compliance lies with every area in the Bank that deal with topics in connection with laws and regulations for social, product supply, product labeling and marketing communication issues. This is of material importance for the Bank because this is an area of interest for specialists and scholars, i.e., the Bank's capacity to influence stakeholders on these topics; also for the associated reputational risks; for the topic's association with laws and regulations; and because it can bring significant risks to the Organization.

Positive Impacts - reduction of potential conflicts among the Bank and its clients; a fair exchange of services for consumers; reduction of the risk of reputational damage to the Bank; increased reliability.

Negative Impacts - conflicts and controversy between the company and its clients.

Control mechanisms

In order to identify and minimize impacts, the Corporate Affairs Vice President's Office keeps the branch network updated about any legal actions in an effort to improve the compliance with the laws and Court determinations. The officers in charge also sit in FEBRABAN meetings to stay abreast of how to adapt to laws and Court determinations.

The Bank also conducts the Legal Action Forum with meetings every two months with the Branch Network and the Marketing and Security areas, in which infraction notices, fines and valid Court injunctions are addressed. In the meetings the groups discuss the best way to service and refer any issues of noncompliance with laws and Court determinations and the consequences thereof.

Indicators Consolidation

Monetary value of significant fines and the total number of non-monetary sanctions for non-compliance with laws and regulations [G4-SO8](#)

In 2013 we had no fines in connection with this topic. However, the Bank was sued 10 times with claims for indemnity due to alleged discriminations; in one of them the Bank was ordered to pay R\$20,000 in damages; in another suit the Bank received a favorable determination and 8 actions are still pending judgment.

Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services [G4-PR9](#)

In 2013, the value of fines and sanctions in connection with products such as credit cards and checking accounts was approximately R\$ 87 million.

The amount of fines and sanctions in connection with security in the operation of branches was approximately R\$ 130 million.

Materiality

The Economic Performance item is material for the Bank because it is associated to our business performance and also because it is deemed to be relevant for our stakeholders. Under this item, we highlight two topics: the generation and distribution of direct economic value and the implications of any climate changes for the Bank's activities. The former is dealt with by the Finance Vice-President's Office, and the latter is disseminated throughout a number of areas such as Retail and Wholesale commercial units, the Sustainability Office and the Social/ Environmental Risk area.

Climate changes are relevant because extreme events may lead to business interruptions and impacts on the Bank's operating costs. The risk in financial loss is increased in that insurance models do not include coverage for climate change events.

Any events in connection with climate change also lead to high vulnerability in a sector that has a strong presence in the Bank's portfolio, such as agribusiness; this can lead to an increase in operating costs, loss of productivity and crops in the sector; it can also ban some cultures from regions, all this being directly associated to the credit risk, increase in the cost of capital and loss of income.

Other risks are related to sectorial regulatory issues, involving clients and suppliers. The application of local regulations on climate change, although not consolidated yet, is advancing; in addition, specific plans for the manufacturing industry are expected going forward, including emission goals for greenhouse gases. International regulations are evolving and represent risks and opportunities for businesses, especially for multinational companies.

The potential financial implications are related to the increased credit risk for the clients that may be affected by new regulations, including the increase in the likelihood of credit default, as clients may face operating difficulties or increase in production in connection with the offset of emission goals or the purchase of carbon credits to meet the requirements of new regulations (such as the EU standards for airlines in or out of Europe).

As Santander Brazil is a strong player in free energy auctions via the Asset & Capital Structuring (A&CS) area, the advancement of low-emission energy in Brazil may lead to a portfolio increase.

Policies and Commitments

The Bank has in place an Environmental Policy that deals with our role in preventing climate change. The policy includes a set of practices that reinforces this commitment, summarized in its five pillars: Inventory; Actions for Reduction; Carbon Offset; Carbon-Related Business; and Advocacy and Transparency.

There are no special guidelines to drive investments or financing with focus on the mitigation and adaptation in business segments; however, the A&CS area has a specific mandate to invest in wind power.

The climate change topic is dealt with in Equator Principles III, of which the Bank is a signatory since 2009. The Bank also has in place the *Reduza e Compense* (Reduce and Offset) Program; in the program's platform anyone can calculate their own greenhouse gas emissions and offset any such impact via the purchase of carbon credits (for more details please see page 112 of the Annual Report).

The Bank also participates in business discussion forums on the topic with the objective of advancing climate-related business practices and policies in Brazil. Among them are the *Fórum Clima* (Instituto Ethos) and the *Fórum Brasileiro de Mudanças Climáticas*. This commitment is available both on the Intranet and on the website www.santander.com.br/co2, <http://www.forumempresarialpeloclima.org.br/>

Indicators Consolidation

Direct economic value generated and distributed **G4-EC1**

The distribution of added value can be found on page 69 of the Annual Report.

Financial implications and other risks and opportunities for the organization's activities due to climate change **G4-EC2**

The incorporation of social/environmental risks and opportunities is growing in the Bank's business strategy. Although risks are not quantified, the Bank understands the potential for the development of business that promote the advancement of sustainability through our products, processes, and our efforts to let stakeholders know our position on these issues.

To that effect, the Bank is committed to our target segments and audiences. They include: widen the availability of low-carbon solutions for our clients; develop new financial models to develop environmental asset markets; act as investors in the low carbon business; prepare, keep and report the greenhouse gas inventory; attain the global targets in emission reduction; offset emissions in scopes I and II; engage target audiences; participate actively in important forums on the climate change topic.

Among the practices that underscore this commitment in 2013, the Bank continued to sponsor The Economics of Ecosystems and Biodiversity (the TEEB Brazil), with the objective of calculating the economic value of the local biodiversity, and we also attended the Annual Conference on Ecological Economics sponsored by the International Society for Ecological Economics (ISEE). In terms of social/environmental risk management, the Social/Environmental Risk Analysis is applicable to clients in sectors that are subject to environmental licensing with limits in excess to R\$1 million and Project Finance initiatives.

In the field of opportunities, the Bank invested on supporting our clients in the advancement of sustainable practices. The advancement in social/environmental management means added efficiency to business, revenue growth or cost cuts. In the Corporate and Retail segments, the marketing areas gained an in-depth knowledge while improving their social/environmental business skills. Energy efficiency, renewable energy, sustainable construction, corporate governance action and certifications are examples of business totaling approximately R\$20 billion per year. Still in 2013, there were advancements in the internal and external perception of the Bank's sustainability approach. For example, the 2013 climate and engagement survey suggested an evolution in the perception of sustainability as a key item of employee engagement.

Materiality and Responsibility

The Employment and Labor Relations items, under the Human Resources Office, is of material importance for the Bank as this is a topic of interest for stakeholders (i.e., information on how the Bank deals with labor issues); for the Bank's ability in influencing stakeholders; for the reputational risks associated thereto; for the topic being related to key regulations, laws and covenants of strategic importance for the Organization and its stakeholders; due to the high likelihood of generating significant risk for the Organization and because the Bank has taken on public commitments in connection therewith.

Impacts - With approximately 50,000 employees, Santander is one of the largest employers in the country. A good relationship with the staff contributes to both attract and retain talent, improve the organizational climate and increase productivity while ensuring compliance with labor laws. However, inadequate people management practices may drive employee turnover, impact the organizational climate while leading to initiatives that are non-compliant with labor laws and agreements, under the risk of incurring in fines and other penalties, which in turn may generate reputational risk and financial losses.

Policies and Commitments

The Bank has in place special policies for rules concerning benefits such as medical and dental insurance, transport vouchers, and handbooks on the use of meal vouchers and life insurance. We also have in place a policy to hire employees and interns. These policies are available on the Bank's Intranet and are subject to revisions as needed.

EMPLOYMENT

Assessment Mechanisms

The Bank monitors the effectiveness of people management via surveys, evaluations and auditing. The outcomes are communicated to all employees. Upon the information gathered in these processes, in 2013 managers determined the action to be taken jointly with their teams, which led to an improvement in the outcomes of the last survey on management.

Relationship with service providers – In terms of service providers, the Bank is responsible for ensuring that the firms are in compliance with their obligation as employers. This surveillance is performed in a partnership with the

managers of operations that involve the hiring of service providers and by teams such as Service Provider Management and Labor Legal. The managers of operations that involve service providers follow ground rules in outsourcing in such a way as to avoid exposing the Bank to any risks in connection with this type of agreement. This includes the awareness about which activities can be outsourced; that only services, as opposed to persons, can be contracted; and knowing that the Bank will not manage service provider staff, this is done by their employer only. Any irregularities or deviations should be reported immediately to the Service Provider Management and Labor Legal areas to assess risk.

Indicators Consolidation

HEADCOUNT PER BUSINESS

	2011	2012	2013
Banco Santander	51,518	51,233	47,182
Santander Financiamientos and Webmotors *	2,522	2,223	1,987
Microcredit	264	267	278
Santander Corretora Cambio	29	27	20
Asset Management	86	91	-
Santander Corretora de Seguros and other units	145	151	154
Total	54,564	53,992	49,621

* Webmotors was included as of 2012

HEADCOUNT ON A PER SENIORITY BASIS

	2011	2012	2013
0-5 years	31,267	29,167	24,263
6 -10 years	9,443	11,437	12,575
11 -20 years	5,886	5,961	5,839
20 years and over	7,968	7,427	6,944
Total	54,564	53,992	49,621

HEADCOUNT PER LEVEL OF EDUCATION

	2011	2012	2013
Elementary school	493	439	386
High-school**	4,248	20,253	17,317
University grad**	44,327	27,261	25,729
Graduate course/ Master's / Doctor's	5,496	6,039	6,189
Total	54,564	53,992	49,621

** As from 2012, the criterion was adjusted: the "Some College" level of education is now deemed as High School Graduate.

HEADCOUNT PER GENDER AND POSITION **G4-LA12**

Position	2011		2012		2013		Men	Women	%
	Men	Women	Men	Women	Men	Women			
Operations	6,893	12,593	6,590	12,375	6,225	12.5	11,889	24.0	
Administrative	11,679	17,197	11,113	17,185	9,696	19.5	15,258	30.7	
Specialist	3,396	1,825	3,646	2,211	3,551	7.2	2,184	4.4	
Managerial	565	207	479	187	451	0.9	165	0.3	
Executive Officers	175	34	171	35	163	0.3	39	0.1	
Total	22,708	31,856	21,999	31,993	20,086	40.5	29,535	59.5	

OF EMPLOYEES PER EMPLOYMENT CONTRACT AND GENDER **G4-10**

	2013	
	Men	Women
Full time	20,086	29,535
Outsourced employees	3,060	2,596
Interns	866	1,209
Apprentices	301	675
Total	24,313	34,015

N.B.: The employees' working schedule meets the local legal requirements.

EMPLOYMENT

Total numbers and rates of new employee hires and employee turnover by age group, gender and region **G4-LA1**

■ TURNOVER BY GENDER **G4-LA1**

	2011				2012				2013			
	Hired	% Hired	Terminated	% Turnover	Hired	% Hired	Terminated	% Turnover	Hired	% Hired	Terminated	% Turnover
Men	2,707	42.56	3,027	13.54	2,600	44.88	3,260	14.58	1,422	43.70	3,303	15.70
Women	3,654	57.44	3,166	9.92	3,193	55.12	2,997	9.39	1,832	56.30	4,338	14.10
Total	6,361	100.00	6,193	11.41	5,793	100.00	6,257	11.53	3,254	100.00	7,641	14.75

■ EMPLOYEE TURNOVER BY REGION **G4-LA1**

	2012*				2013			
	Hired	% Hired	Terminated	% Turnover	Hired	% Hired	Terminated	% Turnover
North	82	1.42	109	15.07	72	2.21	137	20.21
Northeast	354	6.11	420	11.20	224	6.88	455	12.50
Midwest	252	4.35	246	13.32	168	5.16	303	16.91
South	686	11.84	599	11.00	268	8.24	938	18.12
Southeast	4,418	76.26	4,879	11.48	2,522	77.50	5,808	14.33
Total	5,792	99.98	6,253	11.53	3,254	100.00	7,641	14.75

*One hired person and four terminated employees did not have their regions stated.

■ EMPLOYEE TURNOVER BY AGE GROUP **G4-LA1**

	2012				2013			
	Hired	% Hired	Terminated	% Turnover	Hired	% Hired	Terminated	% Turnover
14 -19 years	149	2.57	16	10.16	72	2.21	5	5.99
20 -29 years	3,886	67.08	2,056	9.94	2,143	65.86	2,616	14.09
30 -39 years	1,464	25.27	2,139	11.04	810	24.89	3,018	15.33
40 -44 years	193	3.33	550	11.32	105	3.23	521	14.36
45 -49 years	69	1.19	629	13.23	73	2.24	663	11.91
50 years and over	32	0.55	867	19.46	51	1.57	818	18.23
Total	5,793	100.00	6,257	11.53	3,254	100.00	7,641	14.75

Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation **G4-LA2**

The standard benefits extended to employees at all of our units are Medical and Dental Insurance, Meal Vouchers, Food Vouchers, Life Insurance and Transport Vouchers. The Policy and the Manual are available on the intranet.

Return to work and retention rates after parental leave, by gender **G4-LA3**

■ EMPLOYEES ENTITLED TO PARENTAL LEAVE 49,621

■ EMPLOYEES UNDER PARENTAL LEAVE AS FROM 2013

	2013
Maternity leave	425
Extended maternity leave	1,293
Paternity leave	639
Total	2,357

N.B.: Includes both male and female employees under parental leave with inception date in 2013.

■ EMPLOYEES WHO RETURNED TO WORK UPON THE EXPIRY OF THE PARENTAL LEAVE PERIOD

	2013
Maternity leave	23
Extended maternity leave	1,311
Paternity leave	639
Total	1,973

■ EMPLOYEES RETURNING FROM PARENTAL LEAVE THAT WERE STILL WORKING WITHIN 12 MONTHS COUNTING FROM THE RETURN DATE

	2013
Female employees under maternity leave or extended maternity leave taken in 2012	2,054
Female employees still working within 12 months counting from the return date	1,714
Retention rate	83%
Male employees under paternity leave taken in 2012	686
Male employees still working within 12 months counting from the return date	581
Retention rate	85%

INDIRECT ECONOMIC IMPACT

Materiality

The indirect economic impact is a material issue for the Bank as it is one of the key items in the financial sector; it generates a high impact on society while implying reputational risks.

The main indirect economic impact generated by the Bank is associated with our core business, i.e., interest income. The Bank uses agents with surplus cash to fund agents with shortage of cash, thereby supporting investment and contributing to higher levels of economic activity, job and income generation.

In addition to the multiplication factor, other indirect economic impacts can be noticed from specific lines of business, social activity and additions to the infrastructure of cities and communities.

The management of this topic is in charge of the heads of individual units. In this report, the Bank highlights the efforts in connection with education, microcredit operations and investments in infrastructure.

Policy

The indirect economic impact is an integral part both of the interest income and all activities in connection with education, social inclusion and infrastructure; therefore this item is not dealt with in specific policies for each initiative. We note, however, that every business activity of the Bank is subject to our approach to sustainability, i.e., the Bank must promote activities that benefit all - the society, the environment and the Organization itself. Thus, maximizing the indirect economic impact is a goal for all areas at the Bank.

Programs G4-EC7 G4-EC8

Education: One of our beliefs is that investing in education is the best way to support the country's development, and we are active in all steps of the educational cycle - from elementary school to higher education. This effort is materialized via initiatives such as the *Programa de Educação Infantil* (The Kindergarten Program, see more on page 106 of the Annual Report), the *Programa Escola Brasil* (see more on page 105 of the Annual Report) and Santander Universities (see more on page 80 of the Annual Report).

Microcredit: In addition to promoting the social and financial inclusion of borrowers, the productive/guided microcredit contributes to drive community prosperity. One of the most outstanding characteristics of this business is that as the entrepreneur invests in expanding his business he often generates employment for family and neighbors. Another factor that contributes to strengthening local economy is that the borrower usually uses his income to purchase from stores and service providers in his neighborhood. With an experience in microcredit that spans over ten years, we estimate that approximately 70% of the income generated circulates around the community thereby starting a virtuous circle of investment.

Infrastructure: The Bank invests in setting up digital rooms in public and private universities. The *Espaço Digital Santander Universidades* comprises rooms with computing lab infrastructure to promote the access to information and digital inclusion to the academic community. All and all, we have set up 44 rooms in colleges and universities throughout Brazil, with a positive impact on 1.5 million people among students, professors and employees, also benefitting the nearby communities. The Bank also invests approximately R\$600,000 in public infrastructure. One of the key purposes of this investment is maintaining green areas in the city of São Paulo. In 2013, the Bank cared for more than 45,000 square meters of green areas. The square and gardens under the Bank's care bear plates with our logo.

Assessment Mechanisms

The indirect economic impacts that are quantifiable are mainly associated to Social Investment initiatives. However, we assess these projects for their outcomes, not impacts. The process adopted by the Social Investment area created a link between outcomes and official indices with the purpose of detecting evidence on the possibilities of impacts as a result of our intervention. The model to assess outcomes adopted by the Social Investment area was reviewed throughout 2013. The assessment of impacts in microcredit is done via credit indicators and the monitoring of credit agents.

CATEGORY	PROGRAM/PROJECT	STARTING YEAR	AMOUNT INVESTED (THOUSANDS OF R\$)	PURPOSE	TARGET AUDIENCE	KEY ACHIEVEMENTS IN 2013	PARTNERS
Culture	Instituto Santander Cultural (Recife and Porto Alegre)	Porto Alegre in 2001 and Recife in 2000	5,689	Santander Cultural is active in the areas of Visual Arts, Music, Cinema, Thinking and Knowledge; the goal is to put together a high quality schedule with focus on contemporary arts and promotion of local artists	Larger audiences, students, professionals, artists, Bank clients, tourists	VISUAL ARTS: Contemporary (3 exhibitions) - The history of Christmas, its origin, symbols and traditions. MUSIC: weekly program featuring shows and music workshops; MOVIE THEATERS: Daily movie exhibitions, including sessions featuring discussions with actors, directors and producers; Other events: library, with a permanent historical exhibition and educational activities ("Ação Educativa").	Instituto Santander Cultural (Recife and Porto Alegre)
	AfroReggae	2012	4,397	The bank helps funding the maintenance costs of Centro Cultural Wally Salomão, featuring educational and cultural activities for audiences in low-income communities in Rio de Janeiro	Low income communities in RJ	Cultural/educational activities at the Centro Cultural Wally Salomão; Funding the activities of Grupo AfroLata; Desafio da Pa; and Orquestra de Cordas do AfroReggae	AfroReggae
	Convivendo com Arte - Sala de Arte Santander	2012	795	This project brings to our employees and visitors at the Torre Santander in São Paulo, Brazil, the chance to live with the newest trends in contemporary arts in Brazil. Thereby stimulating new artists and art collection.	20,000 visitors	In 2013 we sponsored exhibitions such as O Cotidiano na Arte (March and July/2013) and Arte & Design (September/2013-January /2014)	Isso é Arte
	Narrativas Poéticas - Coleção Santander Brasil	2013	1,623	This project has the purpose to disseminate the Coleção Santander Brasil to a larger, more diversified audience, while providing the opportunity of a renewed look at the collection.	100,000 visitors	In 2013, the exhibition Narrativas Poéticas – Coleção Santander Brasil traveled to 3 cities in Brazil – Porto Alegre, at the Santander Cultural; Brasília, at the Museu Nacional da República; and Belo Horizonte, at the Museu Inimá de Paula	Oficina de Artee ID Brasil Cultura, Educação e Esporte
	Movimento Rio Eu Te Amo	2013	1,200	Santander supports the "Rio Eu Te Amo", initiative, promoted by Conspiração Filmes, with the purpose to stimulate positive action for the city of Rio de Janeiro, as a social engagement around the production and launch of the film "Rio Eu Te Amo", as part of the "Paris Je T'Aime" and "New York I Love You" series.	The society at large in Rio de Janeiro	We sponsor a fan page for this initiative on Facebook, with a number of positive initiatives in the city of Rio de Janeiro.	Conspiração Filmes
Child, Youth and Senior Citizens	Museu do Amanhã	2011	6,000	The bank supports the initiative to build the museum which, in an interactive and technological manner, will generate environments that will provide visitors with an experience of virtual immersion in the cosmos, the earth, life and culture.	Inhabitants of the city of Rio de Janeiro	The Museum is scheduled to open in 2015 and from then on the Bank will monitor the project outcomes.	Fundação Roberto Marinho
	The Amigo de Valor Program	2002	4,886	With grounds on the Child and Youth Act (the ECA), the Amigo de Valor program strives to strengthen the Local Committees for the Rights of Children and Adolescents while involving our key audiences in the defense of children's rights.	Children and adolescents from townships with critical CDI (Child Development Index) and SEI (Social Exclusion Index) levels, and Local Committees for the Rights of Children and Adolescents.	R\$ 8,4 million raised to be invested in 56 new townships in 21 Brazilian states.	Local Committee for the Rights of Children and Adolescents (CMDI) at the following locations: São José do Norte, Queimados, Morro do Chapéu, Milagres, Minas Novas, Imbituva, São Domingos do Maranhão, Pau dos Ferros e Novo Horizonte/ Olinda e Araruama/ Camaçari, Cruzeiro do Sul, Serro, Castelo do Piauí, Fazenda Rio Grande, Planalto, Irapá, Buritis, Guarai, Sidrolândia, Palmas, Uruguiana, Timon, Santo Anastácio, Apodi, Paraty, Olinda, Belo Oriente, Campina da Lagoa, Campo Belo, Dionísio Cerqueira, Presidente Dutra, Tenente Portela, Viçosa do Ceará and Paulo dos Ferros/ Apodi
	Programa Idoso (The Senior Citizen Program)	2012	3,046	The program provides support to local committees and funds focused on senior citizens while strengthening the Local Committees for Senior Citizen Issues which have as a priority performing a diagnosis and planning the local policy for senior citizens' rights, but need support to this end due to local social and economic difficulties.	Local Committees for Senior Citizen issues	11 townships and their respective local Committees for Senior Citizen issues (CMDI) were benefited in 2013 with the Senior Citizen Pilot Program.	Local Committees for Senior Citizen issues (CMDI) in the following townships: Viçosa do Ceará/ Apodi/ Pindoretama, Coruripe, Aracati, Barroquinha, Iracema, Missão Velha, Paraúna, Campina da Lagoa, Palmas, Tenente Portela, Arraias, Barbalha, Capela, Jaguaruana, Picuí, Cuité, Doutor Severiano, Porto Rico, Ribeirão Claro, Rio Acima, Mirassol D'Oeste, Rio Vermelho, Conceição do Mato Dentro, Carnaubeira da Penha, Serra Talhada and Caucaia/ Caucaia.

CATEGORY	PROGRAM/PROJECT	STARTING YEAR	AMOUNT INVESTED (THOUSANDS OF R\$)	PURPOSE	TARGET AUDIENCE	KEY ACHIEVEMENTS IN 2013	PARTNERS
Education	Educação Infantil (Kindergarten Program)	2011	967	Developed in partnership with the Ministry of Education in 19 townships in the state of Bahia, the Children's Education Program aims to improve education provided to children aged 0-5 at daycare centers and kindergartens built with funds from the PROINFÂNCIA program (the Federal Government's National Program for Restructuring and Acquisition of Equipment for the Public Elementary School Network).	Professionals from the Education Departments, principals, coordinators and teachers from the public network of 19 townships from the state of Bahia (Irará, Cordeiros, Eunápolis, Santa Cruz Cabralia, Cardeal da Silva, Tucano, Teixeira de Freitas, Porto Seguro, Senhor do Bonfim, Bom Jesus da Lapa, Antônio Cardoso, Sátiro Dias, Barra do Choça, Jacobina, Nova Fátima, Juazeiro, Pindobaçu, Itabuna and Candeias) and Members of the local committees (Education, Health, Social Work, Children and Youth Rights and Child Custody).	Throughout 2013, the following persons or institutions were educated/ benefited/ involved: <ul style="list-style-type: none"> • 149 Educational Units. • 43 multipliers in the Local Education and Health Departments. • 113 Directors, 128 School Coordinators, 863 Teachers, 1,183 Staff members, 16,001 children directly benefitted by the Program. • Approximately 185 Local Agents trained by the Tece e Acontece program. 	Avante/ Instituto Razão Social
	Programa Escola Brasil (PEB)	1998	2,231	A volunteer program through which employees carry out activities in public schools in partnership with leaders, students, parents, teachers, and other members of the school community. The PEB program provides training and tools for the volunteers to help the community identify the school's strengths and weaknesses and draw and carry out an action plan for continuously improving the quality of education	Children and adolescents and public schools across the country	Participation of 4,248 volunteers organized in 462 groups working in partnership with 297 public schools across the country.	Instituto Escola Brasil
	Programa Saber	2013	594	The Programa Saber (the Knowledge Program), created in 2013 stemming from an initiative of Banco Santander in a partnership with the Comunidade Educativa CEDAC, is an continued education program for Portuguese teachers in grades 5 to 9. The partners in this Program are 10 townships in the São José do Rio Preto region, namely: Bady Bassitt, Guapiaçu, Guaraci, Icém, José Bonifácio, Monte Aprazível, Orindiúva, Palestina, São José do Rio Preto and Tanabi. The townships are organized around the Arranjo de Desenvolvimento da Educação (ADE).	This program focuses on developing competencies and skills in Portuguese; activities take place once every two months in classroom meetings with the target audience, taught by CEDAC monitors. Target audience of the Program: <ul style="list-style-type: none"> • Education Directors and technicians in the Department. • School Managers: Principals and teaching coordinators. • Portuguese teachers, 6th-9th grade. 	In total 151 educators attended the Programa Saber classes in September-December 2013: <ul style="list-style-type: none"> • 26 technicians in the local Education Department; • 22 school principals; • 30 Teaching Coordinators • 73 teachers. 	CEDAC
	Academic Support/ Sponsoring	2001	21,588	Contributions to registered/ partner universities, miscellaneous initiatives for academic support (laboratories, research projects, diverse academic projects) but which are directly associated with university activities, or which aim to improve academic conditions for students and professors.	Universities	FASCAMP - FUNDAÇÃO DA ÁREA DE SAÚDE DE CAMPINAS	Universities
	International scholarships	2001	11,391	Providing scholarships to students and universities	Universities/students	In 2013 more than 1,500 university students and professors were awarded scholarships under the programs TOP Espanha, TOP China, Luso-Brasileira, Formula Santander and Ibero Americanas in programs such as undergraduate studies and young researchers/ investigators.	Universities/students
	Local /Universia scholarships	2001	2,596	Providing scholarships to students and universities	Universities/students	Under the Programa de Mobilidade Nacional, in 2013, more than 300 students were awarded scholarships.	Universities/students

EMPREGO
INDIRECT ECONOMIC IMPACT

CATEGORY	PROGRAM/PROJECT	STARTING YEAR	AMOUNT INVESTED (THOUSANDS OF R\$)	PURPOSE	TARGET AUDIENCE	KEY ACHIEVEMENTS IN 2013	PARTNERS
Education	Espaço Digital	2001	-	The Espaço Digital Santander Universidades was implemented: Intallation and Maintenance of Digital Rooms in registered Universitis	Universities	Rio 2016 Communities	Universities
	The Santander Empreendedorismo Award / Donations	2001	670	An annual award with the participation of Editora Abril and hundreds of universities.	Universities/students/professors	The 2013 Santander Award	Universities/students/professors
	Technology Transfer - TUI e Cartão Acadêmico	2001	9,940	Production and distribution of University Smart Cards (TUI)	Universities/students	delivery of 13,685 TUIs (smart cards)	Universities/students
Entrepreneurship and generation of income	Parceiros em Ação	2010	813	Developed by Santander jointly with the Entrepreneurship Alliance, the program focuses on identifying, supporting and training new entrepreneurs by helping them widen their opportunities while growing their business.	Entrepreneurs in low-income areas.	In 2013, 130 entrepreneurs were trained in three areas: Heliópolis/SP, São Lourenço da Mata/PE and Cabo de Santo Agostinho/PE.	Associação Aliança Empreendedora
	The Santander Universidade Solidária Award	2004	1,940	The Santander Universidade Solidária Award, a part of the Santander Universidades Awards, has three main goals: to make university-level knowledge available to low-income communities, thereby helping improve living conditions; to support university extension courses by promoting the exchange of knowledge and inclusion within the community; and to contribute to the civic education of future professionals while providing students with the opportunity to systematically review and implement the knowledge acquired at the university.	Universities, Professors and productive community groups in low-income areas.	Support was provided to 16 projects around the country in 2013. These initiatives involved professors and university students, directly benefitting people from the local communities.	Associação Alfabetização Solidária
Valuing Diversity	Talentos da Maturidade (Mature Talent)	1999	4,745	Talentos da Maturidade is an initiative to help society view the elderly in a new light. It is comprised by five categories. Five of them are artistic with focus on senior citizens. They are: plastic arts, photography, literature and vocal music. The Exemplary Programs category supports innovative proposals and projects geared to the implementation, development and dissemination of policies and programs for the promotion of an active old age, aimed at improving the quality of life of the elderly.	Institutions which support senior citizens under vulnerable conditions or businesses owned by senior citizens.	Support was provided to 5 projects across the country in 2013.	Interage Consultoria em Gerontologia/ The Local Committee for Support to Senior Citizens: The participation, strenghtening and integration initiative – João Pessoa/PB/ Projeto Qualificar para Cuidar: Senior citizens living in shantytowns – Rio de Janeiro/RJ / The Global Monitoring Project – PAG – Rio de Janeiro/RJ / The São Caetano do Sul Senior Citizen Project – Senior Fit – São Caetano do Sul/SP/ The Quality of Life for the Elderly with Dementia Project – São Paulo/SP/ Instituto Santander Cultural (Recife and Porto Alegre)/ Aktuell Comunicação.
Other	The Educar para a Igualdade Social (Education Towards Racial Equality) Award	2002	150	Defining and detailing the steps to promote racial equality using the 174 best practices in the files of the Educar para a Igualdade Racial Award, in its six editions, for every educational level (from elementary to senior high school), working with two pillars: Classrooms and school management.	The “Educar para a Igualdade Racial” files in its six editions.	A study with 36 good practices and 134 cases involving teachers were completed in the Northeast region. This study was conducted to separate adequate and inadequate school practices (classroom and school management).	CEERT - Centro de Estudos das Relações de Trabalho e Desigualdades
Total			85,275				

GRIEVANCE AND COMPLAINT MECHANISMS

Materiality and Responsibility

Labor and human rights-related grievances and complaints involving employees, clients and suppliers are the responsibility of the Compliance, SAC (Client Support Service) and Ombudsman departments, in addition to the Supplier Management department, which deal with complaints submitted by each of these audiences respectively. This issue is important to the Bank as it involves major legal and social implications.

The reporting channels monitor cases of abuse in relation to labor and human rights-related issues involving employees, third parties and suppliers. In the case of the mechanism geared to employees, the channel builds trust and engagement due to transparent processes, dialogue and mediation between the parties; it provides solutions for problems by means of the close monitoring of managers and guidance in relation to conduct; in addition to strengthening the principles of good management by managers and administrators.

Positive and negative impacts – Grievance and complaint mechanisms for labor practices and human rights issues help create an internal environment geared to employee satisfaction and enhanced personnel engagement levels. Furthermore, this system helps maintain healthy supplier and client relations.

Conversely, the absence of structured channels and processes leads to the spread of undesired behavior such as segregation and discrimination and all the implications thereof (poor productivity, sick leave and functional lack of interest).

Control and assessment mechanisms

The Bank assesses the cases dealt with on a regular basis, identifies the main occurrences; acts directly in the impacted areas and with the managers involved with the aim of implementing plans of action to reduce and eliminate such occurrences and reporting the problems to the senior management. The engagement survey filled out by employees also addresses this issue.

Any employee or intern who becomes aware of any act which is supposedly illicit or which fails to comply with the guidelines of the Code of Ethics or the internal policies in force should report the fact to the Compliance Office via the Santander Reporting Channel, launched in 2011.

In addition to the Compliance department, the Human Resources, Special Occurrences Office (the SOE) and Legal department also deal with reporting.

Santander's clients, investors and suppliers can report via their own channels. Suppliers, for example, should access

the Bank's website and go to the *Fale Conosco* section on the *Fornecedores* page. Clients and investors should report incidents to the SAC (Client Support Service) and the Ombudsman department using the means available, including the telephone, e-mail or letter (please see the list of channels on page 138 of the Annual Report).

These allegations are dealt with and monitored by the areas responsible for the issue involved until its conclusion. The information is processed in total confidentiality and reports may be registered anonymously.

Training - Employee and manager awareness is conducted by means of meetings, integration training, lectures and the web-based course on Codes of Ethics and other associated topics such as moral harassment and human rights.

Identification - The records of all the complaints received are filed in the system; reporting which requires investigation are forwarded to the Human Resources or Special Occurrences Office (SOE).

Policies and Commitments

The guidelines on this issue are included in the Code of Ethics and the policies for the Santander Reporting Channel; Human Rights; Global Policy on Gender Equality; and Diversity.

Monitoring - Reports involving employees are concluded within 45 days. Monitoring and controlling the cases under analysis is the responsibility of the Compliance Office, which receives details of the facts ascertained by the areas involved in the solution or investigation, and monitors cases until they are effectively resolved.

The findings, measures taken and resolutions are submitted to the Committee of Internal Occurrences on a monthly basis. The indicators of the Santander Reporting Channel are reported to the Executive Committee on a regular basis for the purposes of monitoring and targeting specific action.

Remediation - Once the case reported to the Santander Reporting Channel has been ascertained, the appropriate disciplinary measures or sanctions are applied. Cases admitted will result in the implementation of corrective and accountability measures that range from the enforcement of administrative measures such as a warning, transfer of function or workplace, to dismissal or legal proceedings, on a case by case basis.

Indicators Consolidation

Number of grievances about labor practices filed, addressed and resolved by means of formal grievance mechanisms **G4-LA16**

There were no labor-related complaints involving suppliers in 2013, while one labor-related complaint was registered involving employees. The complaint was not admitted and has been concluded.

With regard to complaints filed in previous years, no labor-related claims involving suppliers or employees were dealt with in 2013.

Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanism **G4-HR12**

COMPLAINTS	
Received	143
Admitted	73
Resolved	127
Resolved in 2013, filed in 2012	35

There were no human rights-related incidents involving complaints from suppliers in 2013.

PRODUCT PORTFOLIO

Materiality

The item Product Portfolio is important to us at Santander because its management enables the Bank to reduce risks and enhance the social and environmental impacts of its business activities. Moreover, this is a major topic within the sector; it represents a future challenge; and is related to important regulations and laws.

Impacts - the effective management of the product portfolio generates gains such as the development of more competitive and efficient products, which promote good practices for businesses and proper financial management for households; and a reduction in the risk involving joint liability for the social/environmental problems of clients or funded projects; while on the other hand, the incorrect management of the product portfolio increases risks (financial and joint liability risks), reduces the Bank's competitiveness and may generate undesirable side-effects for clients, such as overindebtedness.

Policies **G4-FS1**

The Bank has three policies in place geared to sustainability which govern the product portfolio and business activities: the Social and Environmental Risk Policy (RSA), the Environmental Policy and the Microcredit Policy.

Social and Environmental Risk: The Social and Environmental Risk analysis aims to both detect and minimize social/environmental risks involving clients or projects funded by loans. As a means of promoting positive impacts and minimizing negative impacts, Santander monitors analyses; provides the business and credit analysis teams with regular training in social/environmental risk; includes social and environmental variables in the scope of the analysis for the acceptance of new clients and participates in forums in order to become acquainted with and influence decisions being made in relation to the subject.

The policy is available on the intranet standards website and on the Internet, in an abridged version, at <http://sustentabilidade.santander.com.br/oquefazemos/praticasdegestao/Paginas/RiscoSocioambiental.aspx>

Environmental Policy: The purpose of this policy is to establish the rules for the prevention and management of the direct and indirect environmental impacts generated by the Bank's business, in addition to the opportunities in relation to the environmental issues within the Organization's scope of influence.

The Policy should be complied with by all Santander's employees and interns and by our partners. The guidelines require compliance with the Brazilian environmental legislation applicable to the Bank, its financial operations and other commitments undertaken by the Organization, such as UNEP FI (United Nations Environment Programme Finance Initiative) and the UN PRI (Principles for Responsible Investment).

The policy includes the management of impacts related to credit operations and services by means of the Social/environmental Risk Practice; the inclusion of social/environmental criteria in the process involving the creation/review of Santander products; and the promotion of education for the sustainability of employees, clients and suppliers.

Microcredit: Santander has a specific policy for each product offered in the microcredit portfolio. The loans approved should be invested in the stated activity and under the guidance of a Credit Agent hired to operate in the regions specified by Santander Microcredit (low-income communities). The Policy was published on 06 June 2013. The benchmarks used are rules laid down by the market and Resolution 4.000 of the Brazilian Currency Board (CMN).

Other policies which guide the Bank's activities are the Stakeholder Engagement Policy and the Supplier Relationship Policy, which guide Santander's commitment to the promotion of sustainability, managing the Bank's business in full compliance with the legislation in force, and based on ethical principles of Human Rights, respect for the environment and the promotion of stakeholder relationship based on respect and fairness. At Santander the policies are in accordance with the best practices of corporate governance, the principles of the Global Compact, and other commitments undertaken, including the Corporate Integrity and Anti-Corruption Agreement.

Commitments

At Santander Brazil, people comply with commitments which serve as guidelines for the product portfolio either directly or via Grupo Santander. These include the Equator Principles, the National Agreement for the Eradication of Bonded Labor, Roundtable on Responsible Soy, the Sustainable Livestock Technical Group and UNEP-FI. The Bank is also a signatory to the United Nations Principles of Responsible Investment (UNPRI) and a supporter of the Forest Footprint Disclosure. No new commitments related to social/environmental risk were undertaken in 2013.

Assessment Mechanisms

Products are assessed throughout their creative process and monitored on a constant basis throughout the marketing phase (see more on page 36 of the Annual Report).

Indicators Consolidation

Procedures for assessing and screening environmental and social risks in business lines **G4-FS2**

The Bank has procedures in place for the identification of social and environmental risks related to its activities.

→ **Money Laundering** - In order to meet the requirements of the local regulatory authorities and to prevent the financial system from being used in money laundering or to fund terrorism, the Money Laundering Prevention Unit has implemented policies and practices for the acceptance of clients. As such, potential clients are assessed in accordance with pre-established risk criteria and are given a rating prior to establishing a relationship with the Bank.

→ **Social/Environmental Risk in Private Equity** - In the field of Private Equity, the Social and Environmental Risk area has served as the social/environmental manager of the Infrabrazil Fund since 2006, conducting analyses based on the standards of the International Finance Corporation (IFC). The Fund invests in infrastructure projects and publishes social/environmental monitoring reports on the projects in question every six months.

→ **Social and Environmental Risk in the Treasury Department** - The Bank has a process in place to assess the brokers which provide services to the Treasury Department. The purpose of the Broker Accreditation Program is to rate the brokers with which the Proprietary Desk operates every two years, taking into account technical, social, environmental and governance-related criteria, as a means of redefining the timeframes in

relation to their operations with the Bank. Upon conclusion of the program the brokers receive feedback detailing their strengths and suggestions for improvement. Even though this is a rating process, it is clear many of these companies have been enhancing their management processes. The relevance of this program is mirrored in the importance of these brokers. The Bank operates with the top stockbrokers on the Brazilian market, which, together, account for almost 85% of the total volume traded on BM&FBOVESPA - and which, therefore, have an enormous capacity to influence the local financial market.

→ **Social and Environmental Risk in loan approval and the acceptance of Wholesale clients** - The benchmark for this process is the Social and Environmental Risk Policy set out on page 45 of the Annual Report.

Social and Environmental Risk Analysis in 2013 **G4-FS2**

CLIENT ANALYSIS – WHOLESALE

	2011	2012	2013
Approved	1,072	2,053	2,034
Approved subject to qualifications	51	47	32
Rejected	3	1	-
Total	1,126	2,101	2,066

PROJECTS NOT SUBJECT TO THE EQUATOR PRINCIPLES

	2011	2012	2013
Approved	0	0	0
Approved subject to qualifications	8	1	25
Rejected	0	0	0
Total	8	1	25

CLIENT ANALYSIS – MORTGAGE LOANS

	2011	2012	2013
Approved	9	8	8
Approved subject to qualifications	4	15	11
Rejected	5	1	0
Total	18	24	19

CLIENT ANALYSIS – COMPLIANCE

	2011	2012	2013
Approved	91	15	25
Approved subject to qualifications	24	2	4
Rejected	27	7	37
Total	142	24	66

FUNDING TO CRITICAL SECTORS **G4-PR6**

	2011		2012		2013	
	Portfolio (thousand of R\$)	% of total portfolio*	Portfolio (thousand of R\$)	% of total portfolio*	Portfolio (thousand of R\$)	% of total portfolio*
Tobacco, Alcoholic Beverages, Arms and Ammunition industries	1,151,301	0.52%	1,160,705	0.48%	1,129,523	0.43%
Financing and Marketing of Fossil Fuels	12,967,964	5.90%	11,665,140	4.82%	9,523,998	3.64%
Damage to Food and Nutritional Safety	187,729	0.09%	229,283	0.09%	204,219	0.08%

* Portfolio with Collateral and Interbusiness

Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions **G4-FS3**

The Social and Environmental Risk area conducts social/environmental audits of clients and projects that must undergo analyses under the Equator Principles. To this end, the department relies on the experience of its personnel, all of whom are graduates in Chemical Engineering, Biology, Geology and Health and Safety Engineering. The audits are conducted by means of the assessment of documentation, dialogue with the relevant client and in loco visits to the projects, and may result in proposals for improvements and adaptations to ensure compliance with the guidelines of the Equator Principles. These activities give rise to an action plan compiled jointly by the Bank and the client, which in turn undertakes to comply with the plan, subject to cancellation of the loan.

Retaining an independent social/environmental auditor is considered at the time of aligning the financing for projects under the Project Finance portfolio in accordance with the Equator Principles. Projects which fall under category A of the Equator Principles automatically require the assessment of an external auditor. Assessment by an external auditor is not required for the remaining categories (B and C) and the need of any such audit is assessed individually. The audit verifies and analyses potential weaknesses and improvements for adapting the project to the guidelines of the EP.

Based on the analysis, an action plan is drawn up specifying the gaps for compliance with the EP. The action plan is monitored by the Bank and the compliance with such plan is included in the loan agreement.

Where possible, an action plan for dealing with non-compliances is drawn up. If there is no other possibility, the contractual clauses are executed and the agreement may be terminated or the acceleration clause may be invoked.

Where a closer monitoring in terms of both loan concession and the acceptance of new clients is warranted, audits may be required to verify the company's social/environmental practices. These audits include the review of documentation, dialogue with the relevant client and on-site visits in order to substantiate its social/environmental practices. The audit may give rise to an action plan geared to adapting the client to the best social/environmental practices.

Independent auditors are hired jointly by the Bank and the client, monitored by the Social and Environmental Risk department.

In 2013, independent audits were conducted for two projects analyzed by the Social and Environmental Risk department and three visits were made to clients.

Process(es) for improving staff competency to implement the environmental and social policies and procedures applied to business lines **G4-FS4**

Social and Environmental Risk training is provided in 4-hour classroom sessions, and addresses the concept and practice of social/environmental risk in loan concessions and the acceptance of clients. The course is held at least on quarterly basis for groups of around 20 loan analysts and relationship managers. In 2013, 20 new and 54 existing Bank employees attended the social/environmental training course, which helped the Bank achieve 74% of the target set for training on social/environmental risk. This training activity is not mandatory, although it is highly recommended for the marketing and risk departments. The training is assessed by means of feedback.

Interaction with clients/investors/business partners in relation to environmental and social risks and opportunities **G4-FS5**

The aim of the *Espaço de Práticas em Sustentabilidade* (the Sustainable Practices Initiative) initiative is to promote the awareness and engagement of clients and society with regard to sustainability by sharing and designing practices. To this end, Santander fosters the engagement of stakeholders (clients, employees) and organizations (partners, suppliers) in programs geared to the inclusion of sustainability in our day-to-day activities. The website www.santander.com.br/sustentabilidade provides the public at large with a variety of materials such as brochures, online courses and presentations which show how to include sustainability in the daily activities of people and businesses. Furthermore, it discloses information on a regular basis on what has been done to advance on this topic at Santander and to ensure it plays an increasingly important role in business and management practices. The Bank launched the online course *Vida Financeira* (Financial Life) in 2013, with the aim of helping participants administer their

budget. A presentation on Sustainable Construction was also made available, disseminating eco-efficient construction practices and examples of what is being done, in addition to suggesting means of learning more about the subject. The Sustainable Practices website received 466,868 visits.

Striving to promote the advancement of suppliers, the Bank held two events with suppliers from critical sectors from a social/environmental perspective (Civil Construction and Call Center), with the aim of sharing practices which help reduce social and environmental risks. The entire content of these meetings was based on the guidelines of the Global Compact. 80 builders and 105 employees from the civil construction sector and 10 companies and 50 people from the call center sector took part in the meetings.

Moreover, the Bank participated in initiatives promoted by partner organizations such as the Instituto Ethos and the World Resources Institute (WRI). Santander participated in one of the most important events involving sustainability in Brazil, the Ethos Conference, between 03 and 05 September.

A full list of the forums the Bank takes part in is available at [www.santander.com.br/sustentabilidade/Compromissos e fóruns](http://www.santander.com.br/sustentabilidade/Compromissos_e_fóruns).

% of client portfolio per region, size and sector G4-FS6

Portfolio per segment - page 2 of the BRGAAP Financial Statements; Portfolio per sector of activity - page 49 of the BRGAAP Financial Statements

LOAN PORTFOLIO PER SECTOR OF ACTIVITY G4-FS6

	2011		2012		2013	
	(thousand of R\$)	%	(thousand of R\$)	%	(thousand of R\$)	%
Public Sector	191,122	0.10	153,846	0.07	122,521	0.05
Federal Government	5,151	0.00	1	0.00	24	0.00
State Government	170,248	0.09	141,517	0.07	114,311	0.05
Municipal Government	15,723	0.01	12,328	0.01	8,186	0.00
Private Sector	196,871,238	99.90	211,804,841	99.93	227,359,796	99.95
Manufacturing	28,740,521	14.58	30,057,968	14.18	35,115,863	15.44
Retail	21,786,771	11.06	25,061,840	11.82	25,864,260	11.37
Agribusiness	4,401,149	2.23	4,384,542	2.07	5,031,783	2.21
Financial Institutions	159,858	0.08	23,082	0.01	199,784	0.09
Services and Other	42,556,969	21.60	43,450,819	20.50	46,440,650	20.42
Individuals	83,645,612	42.45	89,259,953	42.11	89,707,875	39.44
Housing	15,580,358	7.91	19,566,637	9.23	24,999,581	10.99
Total	197,062,360	100.00	211,958,687	100.00	227,482,317	100.00

LOAN PORTFOLIO PER GEOGRAPHIC REGION G4-FS6

	2011		2012		2013	
	(thousand of R\$)	%	(thousand of R\$)	%	(thousand of R\$)	%
Country	176,080,594	89.35	193,125,808	91.11	204,827,898	90.04
North	3,406,232	1.73	3,499,983	1.65	3,402,874	1.50
Northeast	11,390,873	5.78	12,565,979	5.93	13,395,388	5.89
Southeast	131,150,254	66.55	140,695,086	66.38	147,881,231	65.01
Midwest	7,045,636	3.58	8,311,832	3.92	8,905,653	3.91
South	23,087,599	11.72	28,052,928	13.24	31,242,752	13.73
Abroad*	20,981,766	10.65	18,832,879	8.89	22,654,419	9.96
Total	197,062,360	100.00	211,958,687	100.00	227,482,317	100.00

(1) Basically refers to offshore branch transactions - Grand Cayman

Amounts involved in products and services designed to deliver a specific social and environmental benefit for each business line, broken down by purpose: G4-FS7 G4-FS8

TOTAL NET EQUITY G4-FS11

Fund	Amount (thousands of R\$)		
	2011	2012	2013
Sustainability and Responsible Investment (SRI)	254,615	556,000	447,526
Variable Income	5,076,300	5,000,000	3,344,053
SRI/total variable income (%)	5%	11%	13%

SOCIAL/ENVIRONMENTAL LOANS G4-FS7 G4-FS8

Fund	Amount (thousands of R\$)		
	2011	2012	2013
Production	1,218,131	2,269,700	1,987,576
Portfolio		1,851,372	1,911,333

PARTICIPATION IN SOCIAL AND ENVIRONMENTAL LOAN PORTFOLIO - G4-FS7 G4-FS8

2013	
Social/environmental impact on the product portfolio or segment*	3.4%

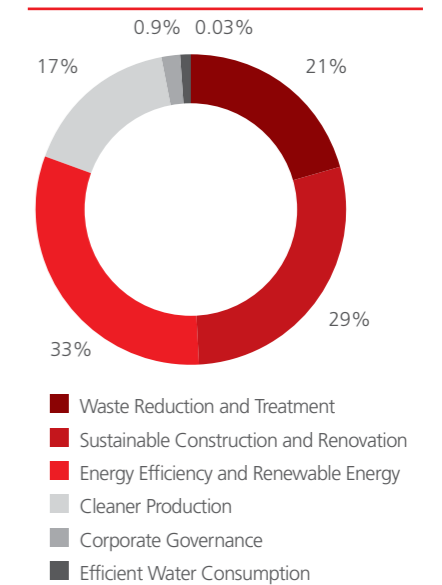
* The social/environmental impact was calculated taking into account the weight of the social/environmental products/sectors versus the relevant portfolios.

MICROCREDIT PER SECTOR G4-FS13

	Value of the Portfolio (thousands of R\$)		
	2011	2012	2013
Textiles	72,806	96,121	106,664
Food and beverages	46,018	40,159	71,046
Health and Beauty	20,570	27,271	31,055
Decoration	345	4,040	4,395
Electrical-Electronic Appliances (Retail Stores)	1,034	2,902	3,800
Transport	798	954	2,023
Entertainment	434	1,577	1,094
Education	333	545	666
Other sectors	38,087	56,417	36,336
Other*	-	6,510	9,907
Total	180,425	236,496	266,986

* Unidentified sectors

CORPORATE SOCIAL/ENVIRONMENTAL
(broken down by purpose)



CUSTOMER PRIVACY

Materiality and Responsibility

The Client Privacy item, under the responsibility of the Facility Management Executive Vice-President's Office, is important to Santander Brazil due to the fact it involves risks in relation to legal and regulatory aspects and business relationship and financial loss.

All the activities performed by the Bank's employees, interns and other associates should comply with the legislation in force and the standards of regulatory bodies and entities in relation to information security.

Impacts - The efficient management of this item provides increased security to clients, whose personal info is preserved, and the Bank, which protects itself against failure to comply with regulations, while safeguarding the business relationship and prevents financial loss and harm to the corporate image.

Policies, Commitments and Assessment Mechanisms

The Information Security Policy is based on directives drawn up by the Information Security department, in charge of defining the policies and standards which provide support for everyone in the protection of information assets and in dealing with problems associated with the topic.

All information belonging to the Bank should be protected against risk and threats which might compromise its confidentiality, integrity or availability.

At the inception of their employment with the Bank staff members are introduced to security topics (clause available in employment agreements and the Code of Ethics) and attend mandatory courses on the subject.

They are also advised to read the Privacy Policy, which contains the basic principles in relation to the receipt, storage and use of personal information submitted by clients and visitors. Employees are also responsible for using their passwords and authorization for accessing systems, in addition to actions arising from the use of these powers.

In order to assess the level of security of suppliers or companies which use the Bank's information to service their own clients, the Bank assesses its partners regarded as high-impact by means of on-site visits and monitoring tests conducted at the time of registration. The risks detected are shared with the managers of the contracting areas and managed together with the companies. Corrective measures in relation to critical are implemented in the short term. Furthermore, the Bank implements mechanisms for the protection of client data in agreements entered into with third parties and client service channels.

INFORMATION SECURITY GUIDELINES

The issue of information security demands continuous efforts for the protection of information assets, thereby helping the Bank fulfill its mission. The issue is addressed in accordance with the following objectives:

- Confidentiality: to ensure the information processed remains confidential and known by specifically authorized people;
- Integrity: to ensure the information is maintained complete and undergoes no undue changes (accidental or intentional);
- Availability: to ensure the information is made available to all persons authorized to process it.

Indicators Consolidation

Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data **G4-PR8**

SAC (Client Support Service) registered 162 complaints in relation to security, banking secrecy and negative credit listing in 2013. Nevertheless, there was no incident involving loss of data. Nine complaints were filed with the Central Bank, none of which, however, involved a breach of banking secrecy. No fines were assessed in relation to the breach of client privacy in 2013.

PRODUCT AND SERVICE LABELING

Materiality and Responsibility

Product and service labeling, under the responsibility of Retail Vice-President's Office, is a relevant topic to Santander Brazil due to the influence it has on the quality of business relations, the correct use of the Bank's product portfolio and on financial results. Furthermore, this subject is associated with a variety of rules and regulations.

Impacts - The clear labeling of products and services enables clients to make proper use of the Bank's product portfolio, which reduces the chance for the client to become overindebted and for the Organization to incur financial losses. Moreover, this reduces risk in relation to image, reputation and legal proceedings.

Policies and Commitments

The Bank operates in accordance with the following policies for the management of risks in product marketing: Code of Ethics; Policy for the Marketing of Products and Services; Methodology for the Analysis of Investor Profiles - Suitability; Derivatives Suitability Policy; Investor Profile Assessment. The benchmarks for these policies are: Consumer Defense Code (external); Banking Self-Regulation Code (FEBRABAN), Anbima Codes and other standards established by the Regulatory Entities (the Brazilian Central Bank, CVM, SUSEP). **G4-PR3**

Assessment Mechanisms

In order to further clarify the labeling of products and services, the Bank performs activities on financial education, which help clients gain a better understanding of the portfolio. With this in mind, the Bank invests in activities to train the Retail business team in financial guidance. The effectiveness of this training is monitored via quarterly reports on the performance in the training programs.

Activities in relation to the risk management and product marketing are monitored in accordance with the Corporate Policy for reputational risk management, derived from product and service marketing. Reports are submitted every four months to the Local Marketing Committee and the Corporate Reputational Risk Management Office.

Indicators Consolidation

Type of product and service information required by the organization's procedures for product and service information and labeling, and the rate of significant products and service categories subject to such information requirements **G4-PR3**

The service is in compliance with the standards in force and whenever necessary the Bank makes adjustments to internal procedures in order to keep them updated.

Information on products in relation to the individual client segments is made available to clients by means of their respective agreements. Banking service fees are published in the Services Table, available for consultation at the branches and on the Santander website.

Information in relation to the Corporate segment is included in the respective agreement documents, when the original copies are submitted to the client.

Information on products offered via the Stock Market (securities) is made available by means of leaflets disclosed within the scope of the products on offer.

Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes **G4-PR4**

21 public civil lawsuits were filed against Santander in connection with products in 2013, eleven of which resulted in an injunction being granted and an expected assessment for non-compliance; eight where no fine is expected; one with an injunction and an expected fine, but suspended due to the filing of an interlocutory appeal; and one lawsuit with a signed agreement.

None of the 21 lawsuits involves the execution/obligation of the payment of an immediate fine. There are no cases of violation of voluntary codes.

Results of client satisfaction surveys **G4-PR5**

The Bank monitors the client satisfaction by means of surveys answered by regular channel users (branches, ATMs, call centers, Internet and credit cards). The surveys have been conducted three times a year since 2009. The sample is comprised of around 9,000 interviews represented by all types of client profile, income levels and geographic location. The outcomes for May and August 2013 show the challenge for the Bank to reach the desired satisfaction level continues, but illustrates positive progress. Based on the diagnosis, efforts will now be focused on four main topics: Availability, Service, Speed and Efficiency and the High-Income Sector.

Santander introduced a new survey in 2012 to monitor the level of client satisfaction in relation to the service provided at the branches. The outcome of the final survey of 2013 shows that overall satisfaction with service at the branches has remained stable compared to the previous year, with an increase in the number of branches with higher scores.

Every year, the Bank uses surveys to monitor client satisfaction (Individual, SMEs and Corporate) and use levels in relation to its products, particularly those with social/environmental characteristics. The outcome of these evaluations is part of an improvement plan based on overall client satisfaction.

No surveys or lectures were conducted with consumer defense agencies in 2013. The Bank does not promote surveys with groups/consumers or entities representing them with the aim of assessing the social impact of the products and services provided.

Policies for the fair design and sale of financial products and services G4-FS15

Product Development

Designing new products or making changes to existing products commences within each business area and involves four phases: 1) The creation of the proposal by the business area; 2) The completion of a form (Product and Service Specification Form - FEPS) to provide details of the proposal, addressing issues including compliance, client satisfaction, internal controls and sustainability. The last topic includes items such as social/environmental risk, transparent client relationship, certifications and even the use of natural resources such as paper, energy and water, as a means of assessing the feasibility of the new product; 3) A meeting held with several of the Bank's departments in order to discuss the characteristics of the product and the needs of clients and society. The representatives suggest improvements and possible changes; 4) Presentation to the Local Marketing Committee, in charge of deciding on the approval and review of the products/services, in addition to policies, procedures and projects in connection with the approval process, and, in certain cases, to the Corporate Marketing Committee. Once approved, the technical procedures, training activities and other measures required for placing the product or service on the market are put into place.

This analysis ensures that such products and services will not expose Santander to reputational or image-related risks. This also ensures compliance with legal, regulatory and accounting requirements, alignment according to client profiles while attributing the level of risk and alignment for each product, the processing capacity or limitations with regard to the different aspects and that placing the product or service on the market will not result in any impacts on Santander Brazil.

Initiatives to enhance financial literacy by type of beneficiary G4-FS16

The main line of activity in relation to financial guidance involves the manager-client relationship. To this end, the Bank invests heavily in training and education, which benefitted over 30,000 employees in 2013.

Other similar initiatives include *Santander Responde* (financial guidance videos on the institutional website and YouTube and a Q&A platform on Facebook); *Portal de Sustentabilidade* (videos, brochures and spreadsheets on financial education); *Caminhos & Escolhas* (a website which attempts to attract young people interested in working in the financial market, featuring online games and courses); and lectures at partner universities and in communities served by the microcredit operation.

In 2013, *Santander Responde*, one of the main channels of financial guidance, open to clients and non-clients, registered a 42% increase in the number of questions submitted, amounting to over 28,000 questions. Furthermore, the channel answered 100% of the questions submitted and was approved by 61% of the people who used the tool. By the end of 2013 there were 50 videos available for viewing, 54,000 questions and answers, over 777,000 people had viewed the videos and 474,000 single visitors.

LOCAL COMMUNITIES

Materiality

The Local Communities item is important to Santander Brazil for two main reasons: the need for the Country to promote financial inclusion and the capacity of the Bank to exercise significant influence on the topic. It is estimated around 40% of the population have no access to the financial system. Moreover, there are thousands of small entrepreneurs in Brazil operating in communities with limited or no access to capital.

Impacts - The presence of a financial institution in developing communities may help generate employment, provide support to entrepreneurs and boost the local economy. In addition to enabling the Bank to attract and maintain new clients.

Santander's activity in these communities is based largely on the Microcredit operation. The risks, in turn, are associated with the operational difficulties arising from lack of infrastructure, rendering factors such as efficiency, profitability and safety more sensitive.

Opening branches in these communities involves the analysis of geo-economic data. Furthermore, the existing infrastructure in the community and the stage of development of aspects such as formal and informal entrepreneurship, health and education must also be taken into consideration. The process involving the opening of service outlets in these areas is in accordance with normal flows and may be adapted where necessary.

Policies and Commitments

The Bank has an expansion project defined for the Microcredit operation, focused on low-income communities, and assesses the areas of operations in accordance with the potential market for entrepreneurs and the knowledge of agents living in these communities.

Microcredit practices are available at <http://sustentabilidade.santander.com.br/oquefazemos/produtoseservicos/Paginas/Microcredito.aspx>

In addition to the microcredit operation, Santander operates service outlets in communities in the initial stages of social development, including Complexo do Alemão and Vila Cruzeiro in Rio de Janeiro, and Paraisópolis in São Paulo.

Practices in relation to Community Branches are available at: <http://sustentabilidade.santander.com.br/oquefazemos/produtoseservicos/Paginas/agenciasemcomunidades.aspx>

Assessment Mechanisms

A complete audit of all the aspects involved in the Santander Microcredit operation is conducted on an annual basis. The results are reported in an institutional press release and in the Bank's financial statements. The goal is constant growth and investment in microcredit.

Indicators Consolidation

Access points in low populated or economically disadvantaged areas by type: **G4-FS13**

Santander Microcredit now has 27 branch offices, 20% of which are located in the Southeast region and 80% in the Northeast region of Brazil. Its footprint includes over 500 municipalities, whereby the credit agent can serve clients within a 125 km radius of the branch office. No branch offices were closed in 2013.

The Bank also opened a branch office in the community of Paraisópolis in São Paulo (SP). This branch was opened due to the fact this community is commercially active and growing. The community is home to 9,000 established entrepreneurs, 2,000 of which are officially registered (data provided by the Resident's Association). In 2014, the Bank intends to use the HDI of each region in order to map the economically deprived areas.

GEOGRAPHIC DISTRIBUTION OF ACCESS POINTS:

- Alagoas: Arapiraca and Maceió.
- Bahia: Feira de Santana
- Maranhão: São Luis and Imperatriz
- Paraíba: João Pessoa, Campina Grande, Patos, Cajazeiras and Guarabira.
- Pernambuco: Salgueiro, Paulista, Recife, Caruaru, Garanhuns, Petrolina, Araripina.
- Piauí: Teresina
- Rio de Janeiro: Baixada Fluminense and Complexo do Alemão
- Rio Grande do Norte: Mossoró and Natal
- São Paulo: Paraisópolis, East, South and North Districts.
- Sergipe: Aracaju

Products and results - The Microcredit product types comprises Individual Loans - Working Capital; *Grupo Solidário* - Working Capital; Financing of Goods and Services - Acquisition of Fixed Assets and Remodeling; and Refinancing.

The operation boasted a record disbursement of R\$ 487 million in 2013. The portfolio¹ recorded 124,000 clients and R\$ 266.9 million. Timely payment stands at around the 95% mark. Furthermore, the R\$ 2 billion mark has now been reached since the Bank's microcredit program was launched. Santander Microcredit operations are conducted directly with the entrepreneur in question. **G4-FS7 G4-FS13**

MICROCREDIT BY SECTOR **G4-FS13**

	Portfolio Amount (thousands of R\$)			Clients		
	2011	2012	2013	2011	2012	2013
Textiles	72,806	96,121	106,664	40,283	47,881	50,032
Food and beverages	46,018	40,159	71,046	24,922	20,488	30,718
Health and Beauty	20,570	27,271	31,055	12,720	15,058	15,844
Decoration	345	4,040	4,395	176	1,795	1,931
Electrical-Electronic Appliances (Retail Stores)	1,034	2,902	3,800	590	1,320	1,587
Transport	798	954	2,023	618	654	1,028
Entertainment	434	1,577	1,094	204	759	435
Education	333	545	666	153	197	213
Other sectors	38,087	56,417	36,336	20,285	26,061	16,718
Other	-	6,510	9,907	-	4,019	6,293
Total	180,425	236,496	266,986	99,951	118,232	124,799

MICROCREDIT BY GENDER **G4-FS13**

Microcredit	Portfolio Amount (thousands of R\$)			Clients		
	2011	2012	2013*	2011	2012*	2013*
Women	122,638	158,308	177,760	68,876	79,171	82,816
Men	57,787	71,681	79,318	31,075	35,042	35,690

* Existence of unidentified clients.

Initiatives to improve access of disabled people to financial services **G4-FS14**

2,307 of Santander's branches have been adapted for the disabled, or in other words, around 98% of our network. By the end of 2013 45 branches still need to be adapted.

Of these, seven are undergoing work due to be completed in May 2014 and 26 have already been concluded. Work on four branches was cancelled as the owner of the real estate property refused to approve the adaptations.

See further information on accessibility under Intangible Assets.

1. Considera clientes adimplentes e inadimplentes.

TRAINING AND EDUCATION

Materiality and Responsibility

The "Training and Education" item, under the management of the Human Resources Office, is important as it is extremely valuable for employees and is regarded as essential by the other stakeholders. As one of the top banks in the country, Santander has an impact on other companies in the sector and their stakeholders in terms of Training and Education, and we are fully aware of the image-related and reputational risks inherent thereto, both positive and negative.

Another important factor is the performance management, which strives to enhance our results by means of aligning individual objectives with the Bank's strategy; to support the development of individuals while promoting the continuous guidance of their performance and behavior; and to influence employee engagement.

Impacts - Investments in training and education drive the Organization, departments and employees deliverables; they have an impact on engagement; while bringing together individual objectives and the Bank's strategy; and contribute to the Bank's results. Moreover, it strengthens the Bank's reputation, which is acknowledged for its good benefit practices; intellectual capital in key areas such as sustainability; and for providing opportunities for professional development. Conversely, the absence of continuous investment in the training and development of personnel may generate a workforce which is outdated in relation to the competition, with a poor understanding of the strategy and a misdirected deliverables, and as a consequence this may have a negative impact on results.

Control Mechanisms

At Santander we conduct an analysis of training needs with those in charge of each business unit. The focus is placed on providing training opportunities which drive the business strategy and develop the employees throughout their careers. Staff development is conducted via local and international programs involving investment in technical and behavioral training, while offering opportunities for all.

The Bank provides managers with development activities with a focus on Hard Skills (Business, Strategy, Efficiency and Client courses) and Soft Skills (People Management) to ensure these managers are updated and guarantee our competitiveness.

Policies and Commitments

At Santander we have in place specific training policies, education incentives (Undergraduate, Graduate/ MBA, Master's, Doctor's, External Refresher and Extension Courses) and Mandatory Certifications. The creation of these policies is based on the Organization's past processes (for the Performance Management Process Policy); the guidance of Regulatory Entities such as ANBIMA, BM&FBOVESPA, SUSEP and ABECIP (for the Professional Certification Policy); or benchmarking with FEBRABAN and partners, in addition to non-financial companies.

The main commitments to ensure regulatory compliance by Santander in relation to training and education are:

- Mandatory courses to meet professional certification requirements, SOX control (internal controls to ensure compliance with the Sarbanes-Oxley Act) and legislation;
- Score at the Performance Management process as one of the support tools for the Variable Compensation process.

The main commitments beyond the regulatory compliance of Santander in relation to this item are:

- Support to the business areas in the development and training of personnel in the performance of their duties;
- The educational activities developed in the area of Organizational Development - Leadership;
- Partnerships and covenants with private Brazilian and international institutions.

The main benchmarks for the development of the commitments are compliance with controls in relation to the SOX Act and other international regulations. In the case of training, this involves the knowledge of specific content in relation to a specific topic, such as Money Laundering Prevention, for example.

Assessment Mechanisms

At Santander we monitor the efficacy of our training and educational activities by means of audits and internal controls. The outcome of the initiatives is published via reports. The areas in charge are mobilized to provide an action plan monitored by areas such as Auditing and Compliance.

The Bank has in place a specific training governance for Retail personnel, its biggest audience, with a quarterly status reported to the vice-president of the Commercial Network and the Network Committee.

We use People system reports to monitor the number of employees and managers undergoing the process throughout the stages of Performance Management (Definition of Objectives, Intermediate Assessment and End-of-Year Assessment). After the final stage of the process, the End-of-Year Assessment, an analysis is conducted of the qualitative and quantitative indicators throughout the process for the implementation of improvements in the next cycle.

Indicators Consolidation

Average hours of training per year per employee by gender, and by employee category **G4-LA9**

Position	CLASSROOM + E-LEARNING		CLASSROOM + E-LEARNING		CLASSROOM + E-LEARNING	
	2011		2012		2013	
	Men	Women	Men	Women	Men	Women
Operational	37.02	39.97	29.18	30.46	24.82	26.29
Administrative	48.67	43.32	35.00	30.39	29.92	30.94
Specialist	57.09	66.11	48.02	47.79	42.22	48.09
Managerial	67.13	83.61	56.66	62.73	52.3	62.8
Executive Officers	50.91	50.29	58.72	76.44	60.21	48.73

Types and scope of programs implemented and assistance provided to enhance employees' skills G4-LA10

Santander's training and education strategy is focused on providing opportunities for training and development throughout an employee's career, aligned with the Bank's strategic goals. The Bank encourages its personnel by means of local and international development programs and actively invests in the technical and behavioral training of its employees.

Percentage of employees receiving regular performance and career development reviews, by gender and employee category G4-LA11

■ % OF EMPLOYEES BY GENDER RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS	
Men	90.00
Women	92.14

■ % OF EMPLOYEES BY EMPLOYEE CATEGORY RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS	
Operational	88.08
Administrative	93.96
Specialist	91.32
Managerial	81.33
Executive Officers	90.59

CRITERIA FOR PERFORMANCE REVIEWS: 1 - Total number of employees that RECEIVED reviews in 2013. 2 - Includes all the different performance reviews conducted in 2013

2013 GREENHOUSE GAS INVENTORY

■ EMISSIONS (TONS OF CO₂e)

Scope 1 EN15	2011	2012	2013
Generators	339	333	361
Vehicle fleet (including helicopter)	6,648	7,150	6,482
Cooling gases	1,080	8,283	9,021
Other ⁽¹⁾	3	25	243
Total scope 1 emissions	8,070	15,790	16,107

Scope 2 EN16	2011	2012	2013
Purchase of electrical energy ⁽²⁾	9,312	22,861	37,202
Total scope 2 emissions	9,312	22,861	37,202

Scope 3 EN17	2011	2012	2013
Air travel	10,724	9,855	8,570
Organic waste ⁽³⁾	404	318	112
Third-party organic waste ⁽⁴⁾	3,140	1,824	13
Third-party consumption of electrical energy ⁽⁵⁾	196	461	1,214
Papa-Pilhas	362	356	254
Transport (chartered, transportation of valuables, land travel)	21,517	29,115	23,931
Paper ⁽⁶⁾	23,408	21,230	10,030
Construction of new branches ⁽⁷⁾	20,538	6,728	0
Extraction, production and transportation of purchased fuel		1,951	1,715
Hired mobile sources (jet and helicopter)		178	205
Energy loss		4,649	7,525
Other			52
Total scope 3 emissions	80,290	76,665	53,621

1. Includes stationary engines as of 2013.
2. Increase in the emission factor from 0.6 to almost 1
3. Fall in the emission factor (65%). The GHG Protocol requests the inclusion of GHG emissions in the reporting year only (future emissions will be accounted for in coming years).
4. In addition to the reduction in emissions, organic waste from the Call Center restaurant was not reported in 2013, due to the fact its collection and disposal was dealt with directly by the restaurant operator with no involvement of the Call Center.
5. Increase in the emission factor from 0.6 to 1. The consumption of energy in apartment complexes with no individual readings was moved from scope 2 to scope 3, as third-party consumption. The company running the call center was replaced, resulting in an increase in the emissions of this item in relation to 2012.
6. Despite the reduction in volume having been 2.5%, emissions dropped 50% in 2013 compared to 2012. The emission factors were updated to the most recent version of Ecoinvent® V2.2, which in addition to methodological reviews, includes the PAGs from IPCC2007. A series of factors was including obsolete data in relation to technology and other components of the product life cycle.
7. This item was not included in 2013 as no new real estate property was acquired for opening branches. Any works were executed on existing property.

■ EMISSIONS OF OZONE-DEPLETING SUBSTANCES (*) EN20

Substance	Volume (Kg)		
	2011	2012	2013
R22	15,601	23,752	21,753
R141	0	3,474	2,070
R407	307	2,510	1,734
R134	34	531	123
R410	335	2,181	2,783

(*) The increase in the consumption of gases from 2011 to 2012 is due to improvements in methodology for calculation of volumes.

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