INFORMATION MEMORANDUM

Banco Santander (Brasil) S.A.

(*a company incorporated under the laws of the Federative Republic of Brazil*),
acting through its principal office in Brazil or acting through its Grand Cayman Branch

U.S.$10,000,000,000 Global Medium-Term Note Program

Banco Santander (Brasil) S.A., acting through its principal office in Brazil or through its Grand Cayman Branch ("Santander", "we" or the "Issuer"), may from time to time issue medium-term notes (the "Notes") pursuant to the Global Medium-Term Note Program described herein (the "Program") denominated in U.S. dollars or such other currencies or currency units as may be set forth in final terms (each, a "Final Terms") to this information memorandum subject to all legal and regulatory requirements applicable to issuances in particular currencies. The Notes will have maturities of seven calendar days or more from their date of issue as set forth in the applicable Final Terms. The maximum nominal amount of all Notes from time to time outstanding will not exceed U.S.$10,000,000,000 (or the equivalent, calculated as described herein, in other currencies or currency units), subject to any duly authorized increase. All references herein to the Program should be read to take into account such increases. The Notes may bear interest on a fixed or floating rate basis, be issued on a fully discounted basis and not bear interest, or be indexed. The Notes may be issued in bearer or registered form. The Notes will be unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer.

All Notes denominated in the same currency, having the same maturity date, bearing interest, if any, on the same basis and at the same rate and the terms of which are otherwise identical, except for the issue date, interest commencement date and/or the issue price and, in respect of a series of Currency Constraint Notes (as defined herein) and related Exchanged Notes (as defined herein), the Specified Principal Payment Currency (as defined herein) and Specified Interest Payment Currency (as defined herein) (if applicable) and the related payment provisions, will constitute a series (each, a "Series"). Each Series shall be all in bearer form or all in registered form and may be issued in one or more tranches (each, a "Tranche") on different issue dates and at different issue prices but on terms otherwise identical (except in relation to interest commencement dates and matters related thereto and matters related to the Currency Constraint provisions (if applicable) described herein). The aggregate nominal amount, any interest rate or interest calculation, the issue price, and any other terms and conditions not contained herein with respect to each Series or Tranche of Notes will be established at the time of issuance and set forth in the applicable Final Terms.

The Notes may be offered by the Issuer directly or through one or more of the dealers listed below and any other dealer appointed from time to time by the Issuer (each, a "Dealer") on a continuous basis or through syndicated placements. The applicable Final Terms will specify the Dealer, Dealers or syndicate of Dealers through which the Notes of a particular Series will be offered. Notes may also be sold to a Dealer or Dealers as principal, at negotiated discounts or otherwise, and Notes may be sold to or through syndicates of financial institutions for which a Dealer will act as lead manager.

See "Risk Factors" beginning on page 22 for a discussion of certain factors to be considered in connection with an investment in the Notes.

Application has been made to admit the Program for listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. Santander may apply to, but is not obliged to, admit the Notes to be issued under the Program to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. The Final Terms applicable to a Series will specify whether or not Notes of such Series have been admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. In case the Notes are not admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market, Santander is not obliged to list the Notes on any other stock exchange.

This information memorandum constitutes a base prospectus for the purposes of listing Notes on the Luxembourg Stock Exchange and trading on the Euro MTF market, in accordance with the Luxembourg law dated July 10, 2005 on Prospectuses for Securities, and is valid for a period of one year from the date of this information memorandum. It should be read and construed together with any Final Terms and any supplemental information memorandum and with any documents incorporated by reference herein. Information in this information memorandum replaces and supersedes any information in the information memorandum of Santander dated March 30, 2011, as well as in any and all Supplemental Information Memorandums prepared in connection therewith, and should only be used as a base for the Notes to be issued under the Program as set forth in the Final Terms, attached hereto.

WE HAVE NOT REGISTERED AND WILL NOT REGISTER THE NOTES UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). ACCORDINGLY, THE NOTES ARE BEING OFFERED AND SOLD ONLY (I) IN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND (II) OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"). BECAUSE THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, THEY ARE SUBJECT TO CERTAIN RESTRICTIONS ON RESALES AND TRANSFERS DESCRIBED UNDER "SUBSCRIPTION AND SALE" AND "TRANSFER RESTRICTIONS."

Global Arranger

Santander Investment Limited

Dealers

Santander Investment Limited | **Santander Investment Securities Inc.**

The date of this information memorandum is April 5, 2012.

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THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS AND THE NOTES MAY INCLUDE NOTES IN BEARER FORM THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE NOTES MAY NOT BE OFFERED, SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. SEE "SUBSCRIPTION AND SALE."

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER REGULATORY AUTHORITY, AND NONE OF THE FOREGOING AUTHORITIES HAS PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR ADEQUACY OF THIS INFORMATION MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILIZING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILIZING MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS.

NOTICE FOR NEW HAMPSHIRE RESIDENTS ONLY: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (THE "RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A NOTE IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A NOTE OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, NOTE OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

In this information memorandum, the terms "Santander Brasil", "Santander", the "Santander Brasil Group", the "Bank", "we", "us", "our" and "our company" mean Banco Santander (Brasil) S.A. and its consolidated subsidiaries (including, as from August 30, 2008, the entities of Banco Real), unless otherwise indicated or the context otherwise requires. References to "Banco Real" mean Banco ABN AMRO Real S.A. and ABN AMRO Brasil Dois Participações S.A. and their respective consolidated subsidiaries, unless otherwise indicated. References to "Banespa" mean Banco do Estado de São Paulo S.A. —Banespa, one of our predecessor entities. The terms "Santander Spain" and "our parent" mean Banco Santander, S.A. References to "Santander Group" or "Grupo Santander" mean the worldwide operations of the Santander Spain conglomerate, as indirectly controlled by Santander Spain and its consolidated subsidiaries, including Santander Brasil.

PROSPECTIVE PURCHASERS OF THE NOTES SHOULD BE AWARE THAT THE NOTES ARE NOT GUARANTEED BY, NOR DO THEY CONSTITUTE AN OBLIGATION OF, BANCO SANTANDER, S.A. OR ANY ENTITIES CONTROLLED BY IT OTHER THAN SANTANDER.

Notes offered hereby may be issued in registered form, without interest coupons ("Registered Notes"), or in bearer form, with or without interest coupons ("Bearer Notes"), as specified in the applicable Final Terms. Notes initially sold to qualified institutional buyers ("QIBs") will, unless otherwise specified, be available only in book-entry form, and will be represented by a Registered Note in the form of a restricted global note certificate (the "DTC Restricted Global Note") deposited on or about the issue date as specified in the applicable Final Terms with or on behalf of The Depository Trust Company ("DTC") and will be registered in the name of its nominee. Registered Notes sold outside the United States in reliance on Regulation S will, unless otherwise specified, be available only in book-entry form and will be represented by either (i) an unrestricted global note certificate (a "DTC Unrestricted Global Note") deposited on or about the issue date as specified in the applicable Final Terms with or on behalf of DTC for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), or (ii) an international global note certificate (an "International Global Note Certificate") deposited with a common depositary located outside the United States (a "Common Depositary") for Euroclear and Clearstream, Luxembourg. On or prior to the 40th day after the later of the commencement of the offering and the date of delivery of the Notes of each Series, beneficial interests in a DTC Unrestricted Global Note representing Notes of such Series may be held only through Euroclear or Clearstream, Luxembourg. Bearer Notes will, unless otherwise specified, only be sold outside the United States to non-U.S. persons in reliance on Regulation S and will, unless otherwise specified, initially be represented by a temporary global Note (a "Temporary Global Note") without interest coupons, deposited with or on behalf of a Common Depositary for Euroclear and Clearstream, Luxembourg. Beneficial interests in such Temporary Global Note shall be exchangeable for beneficial interests in a Permanent Global Note (as defined herein) in bearer form in an equal aggregate nominal amount, not earlier than the 40th day after the applicable closing date, upon certification of non-U.S. beneficial ownership in the form required by U.S. tax laws. See "Book-Entry; Delivery and Form—Bearer Notes."

The obligations of the Issuer in respect of the Notes are not in any way guaranteed by any government or any agency or political subdivision thereof. The Dealers make no representations or warranties, express or implied, as to the accuracy or completeness of the information contained or incorporated by reference in this information memorandum.

The Issuer has not authorized the making or provision of any representation or information regarding the Issuer or the Notes other than as contained or incorporated by reference in this information memorandum, the Trust Deed (as defined herein), the Dealer Agreement (as defined herein), the Agency Agreement (as defined herein) or any Final Terms, or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorized by the Issuer or the Dealers. Neither the delivery of this information memorandum, any supplement hereto and any Final Terms, nor any sale made hereunder shall, in any circumstance, create any implication that there has been no change in the affairs of the Issuer since the date hereof or that the information contained herein is correct as of any date subsequent to the date as of which it is given herein. No person is or has been authorized to give any information or to make any representation not contained in or not consistent with this information memorandum or any other information supplied in connection with the Program or the Notes or any information made public by the Issuer and if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of the Dealers.

This information memorandum can be used only for the purposes for which it has been published. This information memorandum does not constitute an offer to sell in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction, nor does this information memorandum constitute an invitation to purchase any Notes and should not be considered as a recommendation by the Issuer or the Dealers that any recipient of this information memorandum should purchase any Notes. The distribution of this information memorandum or any part of it, including any Final Terms, and the offer and sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this information memorandum comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and on distribution of this information memorandum and other offering material relating to the Notes, see "Subscription and Sale."

We are not making any representation to any purchaser of the Notes regarding the legality of an investment in the Notes by such purchaser under any laws or regulations. You should not consider any information in this information memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Notes.

The Notes will not be offered or sold to persons in the United Kingdom, except in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom other than in the circumstances set out in section 86 of the Financial Services and Markets Act 2000, as amended (the "FSMA"). The Initial Purchaser has complied and will comply with all provisions of the FSMA, with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom. This information memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates shall be available only to relevant persons and will be engaged in only with relevant persons.

This information memorandum has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area (each, a "Relevant Member State") which has implemented European Council Directive 2003/71/EC, as amended from time to time, including pursuant to Directive 2010/73/EC (to the extent implemented in a relevant Member State) (the "Prospectus Directive"), will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make any offer of Notes in that Relevant Member State may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by the applicable Final Terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or the relevant Final Terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

The Notes will not be registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the Notes in Brazil is not legal without such prior registration under Law 6,385, of December 7, 1976, as amended. If a Brazilian resident acquires any Note, such Note can neither circulate in Brazil in bearer form nor be repaid in Brazil in a currency other than the Brazilian currency at the time such payment is made. The Dealers have agreed not to offer or sell Notes in Brazil except in compliance with applicable Brazilian laws or pursuant to an available exemption therefrom.

None of the Dealers or their affiliates assumes any obligation to purchase any Notes or to make a market in the Notes, and no assurances can be given that a liquid market for the Notes will exist.

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Notes unless the Issuer of the Notes is listed on the Cayman Islands Stock Exchange.

Santander may apply to, but is not obliged to, admit the Notes to be issued under the Program to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market.

Santander, having made all reasonable inquiries, confirms that this information memorandum contains or incorporates by reference all information with regard to the Issuer and its subsidiaries and affiliates, the financial and political condition in Brazil, the banking, insurance and leasing industries in Brazil and the Notes which is material in the context of the issue of the Notes, that such information contained or incorporated by reference in this information memorandum is true and accurate in all material respects and is not misleading, that any opinions and intentions expressed in this information memorandum are honestly held and that there are no other facts the omission of which makes this information memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. Santander accepts responsibility accordingly.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and form part of, this information memorandum:

- the most recently published annual audited and interim unaudited condensed consolidated financial statements, as of December 31, 2011, of Santander, such financial statements are prepared in accordance with IFRS (as defined below) and in the English language;

- all amendments and supplements to this information memorandum prepared in accordance with the undertaking by Santander in the Dealer Agreement described below; and

- the applicable Final Terms prepared in respect of any Tranche of Notes, including any interim reports on Form 6-K, if any, as submitted by Santander to the SEC and referred to in the Final Terms,

provided that any statement contained herein or in a document, all or a relevant portion of which is incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this information memorandum to the extent that a statement contained in any such subsequent document modifies or supersedes such earlier statement.

Santander will, at the specified office of its Listing Agent, provide, without charge, a copy of this information memorandum and a copy of any or all of the documents incorporated herein by reference, where such documents will be available free of charge to any interested person. Santander has agreed to furnish to the Luxembourg Stock Exchange all such information as required by the rules of the Luxembourg Stock Exchange in connection with the listing on the Luxembourg Stock Exchange of the Notes. Santander shall, during the continuance of the Program, prepare a supplement to this information memorandum whenever required by the rules of the Luxembourg Stock Exchange. Our financial statements are also available at our website at www.santander.com.br. None of the information on Santander's website is part of, or incorporated by reference in, this information memorandum.

WHERE YOU CAN FIND MORE INFORMATION

Santander Brasil is a reporting company subject to the informational requirements of the U.S. Securities Exchange Act of 1934, as amended (The "Exchange Act") and, in accordance therewith, files reports and other information with the SEC. As foreign private issuer, Santander Brasil is exempt from the Exchange Act rules regarding the provision and control of proxy statements and regarding short-swing profit reporting and liability. Such reports and other information can be inspected and copied at the public references facilities of the SEC at Room 1580, 100 F Street N.E., Washington, D.C. 20549. Copies of such material can also be obtained at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Santander Brasil files materials with, and furnishes materials to, the SEC electronically using the EDGAR System. The SEC maintains an internet site that contains these materials at www.sec.gov. In addition, such reports, proxy statements and other information concerning Santander Brasil can be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, on which equity securities of Santander Brasil are listed.

FORWARD-LOOKING STATEMENTS

This information memorandum contains estimates and forward-looking statements, principally in “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.” Some of the matters discussed concerning our business operations and financial performance include estimates and forward-looking statements within the meaning of the Securities Act and the Exchange Act.

Our estimates and forward-looking statements are mainly based on our current expectations and estimates on projections of future events and trends, which affect or may affect our businesses and results of operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Our estimates and forward-looking statements may be influenced by the following factors, among others:

- increases in defaults by our customers and in impairment losses;
- decreases in deposits, customer loss or revenue loss;
- increases in provisions for legal claims;
- our ability to sustain or improve our performance;
- changes in interest rates which may, among other effects, adversely affect margins;
- competition in the banking, financial services, credit card services, insurance, asset management and related industries;
- government regulation and tax matters;
- adverse legal or regulatory disputes or proceedings;
- credit, market and other risks of lending and investment activities;
- decreases in our level of capitalization;
- changes in market values of Brazilian securities, particularly Brazilian government securities;
- changes in regional, national and international business and economic conditions and inflation;
- the ongoing effects of recent volatility in global financial markets crisis; and
- other risk factors as set forth under “Risk Factors.”

The words “believe”, “may”, “will”, “estimate”, “continue”, “anticipate”, “intend”, “expect” and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements are valid only as of the date they were made, and we have no obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. Our future results may differ materially from those expressed in these estimates and forward-looking statements. In light of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this information memorandum may not occur and our future results and performance may differ materially from those expressed in these forward-looking statements due to, but not limited to, the factors mentioned above. Because of these uncertainties, you should not make any investment decision based on these estimates and forward-looking statements.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this information memorandum, the terms “Santander Brasil”, the “Bank”, “we”, “us”, “our” and “our company” mean Banco Santander (Brasil) S.A. and its consolidated subsidiaries (including, as from August 30, 2008, the entities of Banco Real), unless otherwise indicated. References to “Banco Real” mean Banco ABN AMRO Real S.A. and ABN AMRO Brasil Dois Participações S.A. and their respective consolidated subsidiaries, unless otherwise indicated. References to “Banespa” mean Banco do Estado de São Paulo S.A.—Banespa, one of our predecessor entities. The terms “Santander Spain” and “our parent” mean Banco Santander, S.A. References to “Santander Group” or “Grupo Santander” mean the worldwide operations of the Santander Spain conglomerate, as indirectly controlled by Santander Spain and its consolidated subsidiaries, including Santander Brasil.

All references herein to the “*real*”, “*reais*” or “R$” are to the Brazilian *real*, the official currency of Brazil. All references to “U.S. dollars”, “dollars” or “U.S.$” are to United States dollars. All references to the “*euro*”, “*euros*” or “€” are to the common legal currency of the member states participating in the European Economic and Monetary Union. References to “CI$” are to Cayman Islands dollars. See “Exchange Rates” for information regarding exchange rates for the Brazilian currency.

Solely for the convenience of the reader, we have translated certain amounts included in “Summary Financial Information” and elsewhere in this information memorandum from *reais* into U.S. dollars using the exchange rate as reported by the Brazilian Central Bank (*Banco Central do Brasil*), the “Brazilian Central Bank” or “BACEN”, as of December 31, 2011, which was R$1.8758 to U.S.$1.00, or on the indicated dates (subject to rounding adjustments). We make no representation that the *real* or U.S. dollar amounts actually represent or could have been or could be converted into U.S. dollars at the rates indicated, at any particular exchange rate or at all.

Certain figures included in this information memorandum have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Consolidated Financial Statements

We maintain our books and records in *reais*, our functional currency and presentation currency for the consolidated financial statements.

This information memorandum contains our consolidated financial statements as of December 31, 2011, 2010 and 2009, and for the years ended December 31, 2011, 2010 and 2009. Such consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”), and have been audited by Deloitte Touche Tohmatsu Auditores Independentes, an independent registered public accounting firm, whose report is included herein.

On August 29, 2008, Banco ABN AMRO Real S.A. and ABN AMRO Brasil Dois Participações S.A. (collectively, “Banco Real”) became our wholly-owned subsidiaries pursuant to a share exchange transaction (*incorporação de ações*).

IFRS differs in certain significant respects from U.S. GAAP. IFRS also differs in certain significant respects from Brazilian GAAP. Note 45 to our audited consolidated financial statements for the years ended December 31, 2011, 2010 and 2009, included herein, contains information relating to certain differences between IFRS and Brazilian GAAP.

For statutory purposes, under National Monetary Council (*Conselho Monetário Nacional* or “CMN”) Resolution No 3,786, dated September 24, 2009, we are required by the Brazilian Central Bank to prepare consolidated financial statements according to IFRS as issued by the IASB. However, we will also continue to prepare statutory financial statements in accordance with accounting practices established by Brazilian corporate law and standards established by the CMN, the Brazilian Central Bank and document template provided in the Accounting National Financial System Institutions (*Plano Contábil das Instituições Financeiras Nacional*) or “Cosif” and the Brazilian Securities Commission (*Comissão de Valores Mobiliários*) or “CVM” to the extent such practices do not conflict with the rules of BACEN, the Accounting Pronouncements Committee (*Comitê de*

Pronunciamentos Contábeis) or "CPC", the National Council of Private Insurance (*Conselho Nacional de Seguros Privados*) or "CNSP" and the Superintendency of Private Insurance (*Superintendência de Seguros Privados*) or "SUSEP". Hereafter, we refer to such Brazilian accounting practices as "Brazilian GAAP".

Market Share and Other Information

We obtained the market and competitive position data, including market forecasts, used throughout this information memorandum from internal surveys, market research, publicly available information and industry publications. This data is updated to the latest available information for 2011. We have made these statements on the basis of information from third-party sources that we believe are reliable, such as the Brazilian association of credit card companies (*Associação Brasileira de Empresas de Cartões de Crédito e Serviços*), or "ABECS"; the Brazilian association of leasing companies (*Associação Brasileira de Empresas de Leasing*), or "ABEL"; the Brazilian association of savings and mortgage financing entities (*Associação Brasileira das Entidades de Crédito Imobiliário e Poupança*), or "ABECIP", the national association of credit institutions, financing and investment (*Associação Nacional das Instituições de Crédito, Financiamento e Investimento)* or "ACREFI"; the Brazilian bank federation (*FEBRABAN — Federação Brasileira de Bancos*), or "FEBRABAN"; the Brazilian social and economic development bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or "BNDES"; the Brazilian Institute of Geography and Statistics, or the "IBGE"; the Brazilian Central Bank; the Brazilian Central Bank system (*Sistema do Banco Central*), or "SISBACEN", a Brazilian Central Bank database; the Getúlio Vargas Foundation (*FGV — Fundação Getúlio Vargas*), or "FGV"; the Superintendency of Private Insurance (*Superintendência de Seguros Privados*), or "SUSEP"; the national association of financial and capital markets entities (*Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais*), or "ANBIMA"; and the national federation of private retirement and life insurance (*Federação Nacional de Previdência Privada e Vida*), or "FENAPREVI", among others. Industry and government publications, including those referenced here, generally state that the information presented therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Although we have no reason to believe that any of this information or these reports is inaccurate in any material respect, we have not independently verified the competitive position, market share, market size, market growth or other data provided by third parties or by industry or other publications. We do not make any representation as to the accuracy of such information.

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SUMMARY

The following summary is qualified in its entirety by, and is subject to, information contained elsewhere in this information memorandum (including the financial statements and the notes thereto), and in relation to the Terms and Conditions of any issue of Notes, the applicable Final Terms. See "Risk Factors" for a discussion of certain factors that should be considered in connection with an investment in the Notes.

Overview

We are a leading full-service bank in Brazil, which we believe to be one of the most attractive markets in the world given its growth potential and low penetration rate of banking products and services. We are the third largest private bank in Brazil in terms of assets, with an 8.4% market share, as of September 30, 2011, and the largest bank in Brazil controlled by a major global financial group, according to the Brazilian Central Bank. Our operations are present in all Brazilian regions, strategically positioned in south and southeast, an area that accounted for approximately 72.0% of Brazil's GDP, and where we have one of the largest branch networks of any Brazilian bank. For the year ended December 31, 2011, we generated net profit of R$7.8 billion, and as of that date we had total assets of R$399.9 billion and total equity of R$78.0 billion. Our Basel capital adequacy ratio (excluding goodwill) was 19.9%.

We operate our business along three segments: Commercial Banking, Global Wholesale Banking and Asset Management and Insurance. Through our Commercial Banking segment, we offer traditional banking services, including checking and savings accounts, home and automobile financing, unsecured consumer financing, checking account overdraft loans, credit cards and payroll loans to mid- and high-income individuals and corporations (other than to our Global Banking & Markets clients). Our Global Wholesale Banking segment provides sophisticated and structured financial services and solutions to a group of approximately 700 large local and multinational conglomerates, offering such products as global transaction banking, syndicated lending, corporate finance, equity and treasury. Through our Asset Management and Insurance segment, we manage fixed income, money market, equity and multi-market funds and offer insurance products complementary to our core banking business to our retail and small- and medium-sized corporate customers.

Our Businesses

Our business consists of three operating segments: Commercial Banking, Global Wholesale Banking and Asset Management and Insurance.

Commercial Banking: We focus on long-term relationships with our individual and corporate customers (other than global enterprise customers, which are serviced by our Global Wholesale Banking segment), seeking to support all of their financial needs through our credit, banking services and financial products. Our business model and segmentation allows us to provide a tailored approach to each of our clients in order to address its specific needs.

Our customers are serviced throughout Brazil primarily through our branch network, which, as of December 31, 2011, consisted of 2,355 branches, 1,420 on-site service units (located on our corporate customers' premises), 18,419 ATMs, 40 personalized reception centers for specific enterprises, and four new private banking offices, as well as our complete and modern Internet banking platform and our call center operations.

Global Wholesale Banking: We are a leading wholesale bank in Brazil and offer financial services and sophisticated and structured solutions to our customers, in tandem with our proprietary trading activities. Our wholesale banking business focuses on servicing approximately 700 large local and multinational conglomerates, which we refer to as Global Banking & Markets, or "GB&M", customers. In the year ended December 31, 2011, services to our GB&M customers represented approximately 28% of our operations, in terms of profit before tax. Our wholesale business provides our customers with a wide range of domestic and international services that are specifically tailored to the needs of each client. We offer products and services in the following key areas: global transaction banking, credit markets, corporate finance, equities, rates, market making and proprietary trading. Our customers benefit from the global services provided by the Santander Group's integrated wholesale banking network and local market expertise. Our proprietary trading desk is under strict risk control oversight and has consistently shown positive results, even under volatile scenarios.

Asset Management and Insurance: According to ANBIMA, Santander Brasil Asset Management DTVM S.A. ("Santander Brasil Asset Management") is the fifth largest asset management company in Brazil with R$128 billion in assets under management. The volume of our Asset Management and Insurance Business grew 7.0% in 2011 and as of December 31, 2011, we had a 6.8% share of the market in the Brazilian funds industry. Our assets under management represented approximately 38.0% of the Santander Group's volume of assets under management worldwide as of December 31, 2011. We believe our rigorous governance, disciplined investment management process, wide range of product offerings and prudent risk management contributed to the investment grade ratings assigned to our asset management business by the rating agencies Standard & Poor's Ratings Services ("S&P"), and Moody's Investor Services, Inc. ("Moody's").

We distribute insurance products from some of Brazil's largest insurance companies. We concentrate on the sale of products issued by Santander Seguros, which represented almost 91% of our insurance premiums in the year ended December 31, 2011. The products we distribute as part of our insurance brokerage services include life, automobile, property and casualty, industrial equipment and crop insurance. We focus on simple standardized banking product-related insurance mainly intended for our retail banking customers.

On October 5, 2011, we concluded the sale of all outstanding shares of the capital stock of our wholly-owned subsidiary, Santander Seguros S.A. ("Santander Seguros") and indirectly of Santander Brasil Seguros, to Zurich Santander Insurance America, S.L., a holding company headquartered in Spain ("ZS Insurance"), held directly or indirectly, 51% by Zurich Financial Services Ltd. and its affiliates ("Zurich Financial") and 49% by Santander Spain, and Inversiones ZS America SPA, a company headquartered in Chile and held by ZS Insurance ("Inversiones ZS"). See "Summary—Important 2011 Events—Sale of Santander Seguros."

Our Competitive Strengths

We believe that our profitability and competitive advantages are the result of our five pillars: (1) nationwide presence with a strong market position in higher income regions of the country; (2) wide range of products targeted to the needs of each client; (3) conservative risk profile; (4) scalable state-of-the-art technology platform; and (5) focus on sustainable growth, both organically and through selective acquisitions.

Relationship with the Santander Group

We believe that being part of the Santander Group offers us a significant competitive advantage over the other banks in our peer group, none of which is part of a similar global banking group. The Santander business model provides that each unit must be self-sufficient in terms of capital and liquidity. However, this relationship allows us to:

- leverage the Santander Group's global information systems platform, reducing our technology development costs, providing operational synergies with the Santander Group and enhancing our ability to provide international products and services to our customers;
- access the Santander Group's multinational client base;
- take advantage of the Santander Group's global presence, in particular in other countries in Latin America, to offer international solutions for our Brazilian corporate customers' financial needs as they expand their operations globally;
- selectively replicate or adapt the Santander Group's successful product offerings from other countries in Brazil;
- benefit from the Santander Group's operational expertise in areas such as internal controls and risk management, which practices have been developed in response to a wide range of market conditions across the world and which we believe will enhance our ability to expand our business within desired risk limits;
- leverage the Santander Group's experience with integrations to maximize and accelerate the generation of synergies from any future acquisitions; and

- benefit from the Santander Group's management training and development which is composed of a combination of in-house training and development with access to managerial expertise in other Santander Group units outside Brazil.

Strong presence in attractive demographic and geographic areas

We believe we are well positioned to benefit from the growth in our customer base and the relatively low penetration of financial products and services in Brazil, through sales of key products such as credit cards and insurance. After the acquisition of Banco Real we strengthened our competitive position in all Brazilian regions, though mainly in the south and southeast regions, areas that accounted for approximately 72.0% of Brazil's GDP, and where we now have one of the largest branch networks among Brazilian banks, according to the Brazilian Central Bank.

Our strong presence in the south and southeast regions of Brazil also allows us to reach mid- and high-income customers that provide access to a stable and low cost funding base through a wide variety of funding instruments. Furthermore, our focus on these income classes has increased our profitability, as they have traditionally produced higher volumes and margins. We define the growing mid- and high-income classes in Brazil as individuals with monthly income in excess of R$1,200 and R$4,000, respectively. Thus, our presence in these attractive geographic areas, combined with our focus on mid- and high-income customers allow us to effectively cover a significant portion of Brazil's economic base. In 2010 and 2011, we expanded and strengthened our geographic presence by opening 110 branches and 154 branches, respectively.

We believe there is further potential for growth through the use of our existing, redesigned information technology platform by increasing the penetration of financial products and services with our client base, which as of December 31, 2011 comprised 25.3 million customers, including 19.3 million customers who held an active or inactive current account, according to the Brazilian Central Bank, and other customers who did not have a current account but utilize one of our other product offerings, such as credit cards. For example, only 20.3% of our checking account holders had personal loans and only 56.8% had a credit card.

Track record of successful integrations

Since 1997, the Santander Group has acquired six banks in Brazil, demonstrating its ability to execute complex acquisitions in this market, integrate the acquired companies into its existing business and improve the acquired companies' operating performance, most recently with our acquisition of Banco Real. We started the process of the operational, commercial and technological integration of Banco Real immediately following the share exchange transaction (*incorporação de ações*) in August 2008. We developed a three-year integration plan. Our wholesale banking operations have been fully integrated since the end of 2008. In 2009, we began the integration of the branch networks and electronic distribution channels. In 2010, we concluded the unification of our brand and of customer service in all branches, at all ATMs, in our Internet Banking platform and other customer service channels. In early 2011, we completed the full integration of Banco Real's operations with the migration of all customer accounts and operations to our new technology platform. Since then, customers have benefited from a wide range of products and services. This integration process has always been focused on continually improving the standard of care and level of customer services.

We completed the full integration of Banco Real's operations with ours during 2011.

Leading market position

We rank third among private banks in Brazil in terms of assets, with a market share of 8.4%, as of September 30, 2011, according to the Brazilian Central Bank. Among these banks, we believe we hold a top three market position in most of our key product lines as evidenced by our market share in the following selected products and regions.

	At November 30, 2011 Market Share (%)
Payroll/individual loans	11.9
Individual loans	19.2
Payroll	7.8
Auto leasing/CDC	15.0
Credit cards	11.8
Branches*	12.4
Southeast*	16.2
South*	9.3

Source: Brazilian Central Bank.
(*) Market share of December/2011

The acquisition of Banco Real has further extended our reach in the Brazilian market. We believe that our size and market leadership position provide us with exceptional competitive opportunities including the ability to gather market intelligence to support decision-making in determining business opportunities and in meeting our customers' needs as a full-service bank. Since the acquisition of Banco Real, we have increased our market share in individual loans, credit cards and branches. In addition, we are a leading wholesale bank in Brazil. Through our unique access to the Santander Group's global network, we are able to support our large Brazilian corporate customers in the internationalization of their businesses, for example, through trade and acquisition financing, which brings together a loan syndicate that could use several take-out strategies in different markets. As one of the top tiered banks in the country, and in light of the opportunities for leveraging our operating segments, our broad product offering and geographic presence, we believe we are well positioned to gain market share.

State-of-the-art integrated technology platform

We operate a high generation customer-centered technology platform that incorporates the standards and processes, as well as the proven innovations, of both the Santander Group worldwide and Banco Real. The incorporation of a customer relationship management system enables us to deliver products and services targeted to the needs of our customers. Because our IT platform is integrated with that of the Santander Group, we are able to support our customer's global businesses and benefit from a flexible and scalable platform that will support our growth in the country. This platform has been enriched with a set of customer-focused features inherited from Banco Real, which we believe provides us with a significant competitive advantage.

Our Strategy

In 2011, upon the full integration of Banco Real, we entered in a new phase of expansion and consolidation of our business in Brazil. We revisited our position in the market place and elaborated a new strategic plan with one objective: to be our clients' preferred bank by 2013. Our plan is to implement the concepts of agility and simplicity in everything we do, in order to achieve complete integration and offer a flawless service.

Santander 3.1 was born in this context. The project is being developed based upon the five pillars listed below and will involve multiple areas of the Bank. Our five pillars are:

- Full consolidation of the operational databases;
- Leverage the fact that we are a well-prepared bank with products and services that suit different segments;
- Aggressively reposition the bank within target markets;
- Improve our strategic position and relationships with clients and other markets; and
- Value our brand.

In practice, we will simplify our operational structure, consolidate our operational risk plan, reinforce our presence in areas such as merchant acquisition, financing and real estate. We will invest in relationships, loyalty and retention of our individual clients and finally, develop our brand.

Ultimately, we believe this will guide us towards our goal to be the best bank to work for, the bank with the greatest client satisfaction, the most attractive brand in the country and the most advantageous investment to shareholders.

In the beginning of 2011, our executive committee defined the values that should inspire us on a daily basis:

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

We believe that we can achieve these goals by employing the following strategies:

Improve operating efficiency by benefiting from integration synergies and implementing best practices

We will continue seeking ways to further improve our operating efficiency and margins. We intend to maintain our investment discipline and direct resources to areas that generate improvements in customer care and areas that increase our revenues. In 2011, our efficiency ratio (general expenses divided by total revenue) increased to 35.6% from 34.5% in 2010. In 2010, the ratio decreased to 34.5% from 35.0% in 2009, due primarily to the effects of foreign exchange gains and the Grand Cayman Branch tax hedge. (Adjusting total revenue for the impact of our Grand Cayman Branch tax hedge, the efficiency ratio would be 34.0% in 2011, 34.8% in 2010 and 36.3% in 2009). For a reconciliation of our adjusted efficiency ratio to the nearest GAAP measurement, see "Summary Financial Information—Ratios".

Expand product offering and distribution channels in Commercial Banking

We intend to further increase our business and operations throughout Brazil, expanding our Commercial Banking services to existing and prospective retail customers. We plan to offer new products and services to existing customers based on each customer's profile through our numerous distribution channels by leveraging our customer relationship management data base and IT platform. Our efforts related to the offer of new products and expansion of our reach to other markets will continue to be focused on the correct risk measurement of those opportunities. We also will seek to increase our market share through the offering of innovative banking products and intend to focus on product areas where we believe there is opportunity to increase our presence in the Brazilian market, for example in credit cards and insurance products. Furthermore, we plan to attract current account holders by capturing users of our products, such as automobile financing, insurance or credit cards. We will continue to focus our marketing efforts to enlarge our customer base and increase the number of products used by each client. We intend to improve our competitiveness by further strengthening our brand awareness, particularly through marketing.

We intend to improve and expand the distribution channels for our products through our traditional branch network and alternative marketing and direct sales distribution channels such as telemarketing, Internet banking and correspondent banks. We will continue to maximize the synergies and leverage the opportunities between our corporate and retail businesses. For instance, when rendering payroll services to our corporate customers, we can place an onsite service unit at our corporate client's premises and thereby access its employees as a potential new customer base and achieve the critical mass necessary to open a new branch in that area. We intend to grow our mortgage business as a consequence of the housing deficit in Brazil and the legal reforms supporting mortgage financing.

Capitalize on our strong market position in the wholesale business

We provide multinational corporations present in Brazil and local companies, including those with operations abroad, with a wide variety of financial products, utilizing our worldwide network to serve our customers' needs with customized solutions. We intend to further focus on our strong worldwide position as a client relationship wholesale bank, in line with the Santander Group's worldwide strategy for the Global Wholesale Banking segment. We expect to benefit from the Santander Group's strengthened market position as a key player in the global banking industry and thereby strengthen our existing relationships and build new lasting relationships with new customers, exploring the widest possible range of our product portfolio, particularly higher margin products. In addition, as a leading local player with the support of a major international financial institution, we intend to be a strong supporter of Brazilian corporations as they continue to expand their businesses worldwide. Moreover, we believe that we can use our relationship with large corporate customers to access their suppliers as potential new customers. In addition, we intend to distribute treasury products to smaller companies or individuals through the Santander Global Connect ("SGC") platform.

Further develop a transparent and sustainable business platform

We believe that our commitment to transparency and sustainability will help us create a business platform to maintain growth in our operations over the long term and that is instrumental to forge business relationships, improve brand recognition and attract talented professionals. In this context, we will maintain a commitment to economic, social and environmental sustainability in our procedures, products, policies and relationships. We will continue building durable and transparent relationships with our customers by understanding their needs and designing our products and services to meet those needs. We will continue to sponsor educational opportunities through *Santander Universidades* and the *Universia* portal to foster future potential customer relationships.

Continue growing our insurance business

We intend to continue growing our insurance product distribution business. We expect to increase our presence within the insurance segment by leveraging our strong branch network and client base in all Brazilian regions, but especially in the south and southeast regions, to cross-sell insurance products with the goal of maximizing the income generated by each customer, as well as using our strong relationships with small and medium-sized businesses with annual gross revenues of less than R$30 million, or "SMEs", and large corporations within the country. We intend to sell insurance products by means of our traditional distribution channels, such as branches, and also through ATMs, call centers and internet banking.

On October 5, 2011, we concluded the sale of all outstanding shares of the capital stock of our wholly-owned subsidiary, Santander Seguros and indirectly of Santander Brasil Seguros, to ZS Insurance, which is held directly or indirectly, 51% by Zurich Financial and 49% by Santander Spain, and Inversiones ZS. See "Summary—Important 2011 Events—Sale of Santander Seguros".

Important Events in 2011

Launch of the Esso Santander Credit Card

On January 17, 2011 we began a partnership with Cosan Combustíveis e Lubrificantes, a subsidiary of Cosan S.A. Indústria e Comércio that owns the Esso and Mobil brands in Brazil, to launch the Esso Santander credit card.

We launched the Santander Esso credit card on May 16, 2011 and we began offering the Santander Shell credit card through nearly all of our sales channels, on September 9, 2011. By the end of 2011, we had approved 23,782 new contracts with customers and issued 29,247 credit cards combined (including primary and additional cardholders) under the Santander Esso and Santander Shell credit card programs.

Acquisition of Santander Spain's Credit Portfolio

On February 21, 2011, our board of directors approved the acquisition, from Santander Spain through our Grand Cayman Branch, on market terms, of a portfolio of trade and export financing agreements related to transactions carried out with Brazilian clients or their affiliate companies abroad. During 2011, we acquired a portfolio amounting to U.S.$943 million.

Sale of Santander Seguros

On February 21, 2011, the board of directors approved the main terms and conditions of a transaction for the sale of all the outstanding shares of the capital stock of our wholly-owned subsidiary, Santander Seguros S.A. ("Santander Seguros"), to (1) Zurich Santander Insurance America, S.L., a holding company headquartered in Spain ("ZS Insurance"), 51% held, directly or indirectly, by Zurich Financial Services Ltd. and its affiliates ("Zurich

Financial”) and 49% held by Santander Spain, and (2) Inversiones ZS America SPA, a company headquartered in Chile and held by ZS Insurance (“Inversiones ZS”) (the “Santander Seguros Transaction”).

The Santander Seguros Transaction occurred on October 5, 2011, after the approval that was previously granted by SUSEP on August 23, 2011, by means of the transfer (1) of 11,251,174,948 common shares of Santander Seguros to ZS Insurance and (2) of three common shares of Santander Seguros to Inversiones ZS, against the payment of the preliminary purchase price to us, in the aggregate amount of R$2,752 million. The income recognized in this operation was R$424 million, recorded as a result on disposal of non-current assets held for sale not classified as discontinued operations.

The final purchase price will be defined subsequently, in the second quarter of 2012, based on the special balance sheet prepared by Santander Seguros in relation to the period ended on September 30, 2011 and the purchase price adjustment mechanism set forth in the relevant stock purchase agreement dated July 14, 2011. Once the final purchase price is defined, Santander Brasil will make the public announcements required by the Brazilian corporate law and CVM rules so as to allow the exercise of preemptive rights by its shareholders, which rights would allow our shareholders to acquire shares of Santander Seguros, in proportion to their holdings in our capital stock, for the same price paid by ZS Insurance to Santander Brasil.

The Santander Seguros Transaction is part of the foreign strategic joint venture entered into by and between Santander Spain and Zurich Financial, by which ZS Insurance acquired all of the casualty, life and private pension insurance companies of the Santander Group located in Argentina, Brazil, Chile, Mexico and Uruguay.

Santander Seguros’ main activity is the development of operations of life and personal insurance products as well as annuity and benefit plans and open-ended private pension entities. Santander Seguros is the majority shareholder of Santander Brasil Seguros S.A. (Santander Brasil Seguros and, together with Santander Seguros, the “Insurance Companies”), whose main activity is the development of operations of property and casualty insurance products.

As part of the Santander Seguros Transaction, the Insurance Companies entered into distribution agreements with us for a 25-year minimum term, pursuant to which the Insurance Companies were granted exclusive access, for the term of the agreements, to our distribution channels, throughout our banking branch offices network, except for auto insurance, which was not included in the Santander Seguros Transaction. As a result of such agreements, we are entitled to receive fees approximately equal to the fees we received prior to the Santander Seguros Transaction.

The Santander Seguros Transaction seeks to foster and strengthen our presence in the insurance market, broadening the array of products we offer and the range of our customer classes, which will enable us to increase our fee income in each insurance product category.

The Santander Seguros Transaction did not include Santander Capitalização S.A., our capitalization company that sells financial growth products combined with lottery features. See “Business—Business Overview—Asset Management and Insurance—Insurance—Capitalization Companies”. Santander Capitalização S.A. remains under our control and was segregated, through a split-off, from Santander Seguros. Our business continues to include the distribution of insurance products, which is carried out by Santander S.A. – Serviços Técnicos, Administrativos e de Corretagem de Seguros.

The Santander Seguros Transaction is subject to SUSEP’s final confirmation *(homologação).*

Offer for Sale of 25 million ADSs

On May 25, 2011, Santander Brasil announced that Banco Madesant – Sociedad Unipessoal S.A. (“Madesant”), an affiliated company of Santander Spain, would offer for sale on the secondary market, after December 31, 2010, from time to time, up to 25,000,000 or our ADSs listed on the NYSE. We filed with the SEC an automatically effective Registration Statement on Form F-3 to permit such resale to be carried out in the United States.

Resignation of Mr. Fabio Colletti Barbosa

On August 23, 2011, Mr. Fabio Colletti Barbosa announced his resignation as chairman of our board of directors. Mr. Barbosa was replaced by Mr. Celso Clemente Giacometti, an independent member of our board of directors and of our audit committee. Mr. Barbosa spent 16 years at Santander Brasil, Banco Real and ABN AMRO, during which time he held the positions of CEO and chairman of the board of directors.

Reduction of Outstanding Shares

On August 24, 2011, the BM&FBOVESPA approved our request to reduce our free float, as defined under the BM&FBOVESPA's Level 2 Corporate Governance Listing Regulation, down to 14.1%, exclusively in the context of:

(1) our share buyback program (either of units or ADRs), as approved by our board of directors. Shares underlying our units or ADRs acquired or to be acquired pursuant to the buyback program may not be cancelled; and

(2) acquisitions abroad, by Banco Santander, S.A., or an affiliated entity of the Santander Group, of ADRs corresponding up to 2% of our total shares (in addition to the BM&FBOVESPA authorization granted on October 28, 2010 for the acquisition of 1.0% of our total shares by Madesant).

Such authorization does not affect our obligation to obtain a free float of 25% within the term set forth in our listing agreement for adhesion to the Level 2 segment of the BM&FBOVESPA.

Amendment to Form F-3 - Shelf Registration Statement and Sales of our ADSs by the Santander Group

On November 14 and 15, 2011, we filed an amendment to our automatic shelf registration statement and a related prospectus supplement with the SEC, with the purpose of having available for sale on a registered basis approximately 8% of our capital stock. At such time, the Santander Group expected to use the registration to allow greater flexibility of Santander Spain in fulfilling its commitment to deliver approximately a 5% stake in our capital stock under our outstanding exchangeable bond, and fulfill our commitment to reach a 25% free float prior to October 2012 (or October 2014, if the term is extended pursuant to approval from the BM&FBOVESPA).

Subsequently, on January 9, 2012, Grupo Empresarial Santander, S.L. transferred to Santander Spain ADRs representing approximately 5% of our capital stock, as part of an internal reorganization in the Santander Group, to the transfer of approximately 4% of our capital stock to a third party, which shall deliver such interest to the investors of the exchangeable bonds issued by Santander Spain in October 2010, upon maturity. As a result of such transfers, Santander Spain, directly or indirectly, now holds 76.4% of our voting capital stock and 75.6% of our total capital stock, and our free float stands at 24.1% of the total stock.

Our principal executive offices are located at Avenida Juscelino Kubitschek, 2,041 and 2,235, São Paulo, SP 04543-011, Brazil, and our general telephone number is (55 11) 3553-3300. Our website is www.santander.com.br. Information contained on, or accessible through, our website is not incorporated by reference in, and shall not be considered part of, this information memorandum.

THE PROGRAM

Issuer:	Banco Santander (Brasil) S.A., acting through its principal office in Brazil or its Grand Cayman Branch, as specified in the applicable Final Terms.
Global Arranger:	Santander Investment Limited.
Dealers:	Santander Investment Limited, Santander Investment Securities Inc. and such other Dealers as may be appointed from time to time by Santander under the Program.
Program Amount:	U.S.$10,000,000,000 (or its equivalent as at the respective dates of issue in other currencies) in aggregate nominal amount of Notes outstanding at any time, subject to any duly authorized increase.
Offering:	Notes may be offered (i) in the United States only to QIBs pursuant to Rule 144A under the Securities Act and/or (ii) outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act, as specified in the relevant Final Terms. See "Subscription and Sale."
Issue Price:	Notes may be issued at par or at a discount or premium to par. The issue price for each issue of Notes shall be set forth in the applicable Final Terms.
Specified Currencies:	Notes may be denominated in any currency as may be agreed between the Issuer and the applicable Dealer or Dealers in the relevant Final Terms, subject to applicable law.
Maturities:	The Notes may be issued with maturities of seven calendar days or more from their date of issue, subject to all legal and regulatory requirements applicable to the Issuer or the applicable Specified Currency.
Interest:	Notes may (i) bear interest on a fixed rate or floating rate basis (determined by reference to one or more base rates), (ii) be issued on a fully discounted basis and not bear interest or (iii) be indexed, in each case as specified and described more fully in the applicable Final Terms.
Final Terms:	The Final Terms for each issue of Notes shall set forth, among other things, details of the Terms and Conditions of the Notes being offered. Such information may differ from that set forth herein and, in all cases, shall supplement and, to the extent inconsistent herewith, supersede the information herein.
Withholding Tax:	Payments in respect of the Notes will be made without withholding or deduction in respect of any taxes, duties, assessments or governmental charges imposed in Brazil, the Cayman Islands or any political subdivision or taxing authority thereof or therein or any other jurisdiction having power to tax in which the Issuer is organized, doing business or otherwise subject to the power to tax. The Issuer will, subject to certain exceptions and limitations, pay additional amounts (as described herein) in respect of such withholding or deduction so that the holder of the Notes receives the amount such holder would receive in the absence of such

	withholding or deduction although the Issuer may have the option to redeem the Notes in such an event if so specified in the applicable Final Terms. See "Terms and Conditions of the Notes — Taxation."
Foreign Currency Constraint:	If it is specified in the applicable Final Terms, the Notes may contain a Foreign Currency Constraint provision, as more fully described herein and in the applicable Final Terms. Upon the occurrence of a Foreign Currency Constraint Event (as defined herein), holders of Notes affected thereby may elect to exchange the Notes for an equivalent nominal amount of Exchanged Notes with terms and conditions identical to the terms and conditions of the original Notes except that payments in respect of the Exchanged Notes will be made in the lawful currency of Brazil. Upon termination of the Foreign Currency Constraint Event, Exchanged Notes will be exchanged for an equivalent nominal amount of the original Notes and such holder will receive future payments in respect of the Notes in the Specified Currency (as defined herein) of the Notes. If a holder does not elect to receive payments in the lawful currency of Brazil by making such exchange, after the termination of the Foreign Currency Constraint Event such holder will receive any payments in respect of the Notes in the Specified Currency of the Notes. A Foreign Currency Constraint Event will not be deemed an Event of Default provided that the Issuer has fully complied with its obligations under Condition 15 of the Notes. See "Terms and Conditions of the Notes — Foreign Currency Constraint, Sovereign Event and Credit Event—Foreign Currency Constraint."
Sovereign Event:	If it is specified in the relevant Final Terms that the Notes contain a Sovereign Event provision, as more fully described in the Conditions, on the occurrence of a Sovereign Event (as defined in the Terms and Conditions), the Issuer may elect to redeem such Notes or deliver on the maturity date or earlier redemption date, the Governmental Obligations (as defined in the Terms and Conditions) or *reais* to the holder, whereupon the Issuer's obligations in respect of such payment under such Note shall be deemed fully satisfied and discharged. See "Terms and Conditions of the Notes—Foreign Currency Constraint, Sovereign Event and Credit Event—Sovereign Event."
Credit Event:	If it is specified in the relevant Final Terms that the Notes contain a Credit Event provision, as more fully described in the Terms and Conditions, on the occurrence of a Credit Event (as defined in the Terms and Conditions), the Issuer may elect to redeem such Notes or deliver on the maturity date or earlier redemption date, the Credit Obligations (as defined in the Terms and Conditions) or *reais* to the holder, whereupon the Issuer's obligations in respect of such payment under such Note shall be deemed fully satisfied and discharged. See "Terms and Conditions of the Notes—Foreign Currency Constraint, Sovereign Event and Credit Event—Credit Event."
Form of Notes:	Notes may be issued in registered form, without interest coupons, or in bearer form, with or without interest coupons. Registered Notes shall be represented initially by one or more Global Notes in registered form, without Coupons, which shall be

	either DTC Global Notes or an International Global Note Certificate, as specified in the applicable Final Terms. In the case of Notes represented by one or more DTC Global Notes, the DTC Unrestricted Global Note and the DTC Restricted Global Note will be registered in the name of DTC, as depositary, or a successor or nominee thereof, and deposited on behalf of the purchasers thereof with a custodian for DTC. Beneficial interests in the DTC Restricted Global Note and DTC Unrestricted Global Note shall be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Purchasers of Notes may hold their interests in a DTC Restricted Global Note directly through DTC if they are participants in the DTC system, or indirectly through organizations which are participants in such system. Purchasers of Notes may elect to hold interests in the DTC Unrestricted Global Note through any of DTC (in the United States), Clearstream, Luxembourg, or Euroclear if they are participants in such systems or indirectly through organizations which are participants in such systems, subject to the requirement that on or prior to the 40th day after the later of the commencement of the offering and the date of delivery of the Notes of each Series, beneficial interests in a DTC Unrestricted Global Note representing Notes of such Series may be held only through Euroclear or Clearstream, Luxembourg. In the case of Notes represented by an International Global Note Certificate, such International Global Note Certificate will be deposited with a Common Depositary for and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg for credit to the respective accounts of beneficial owners of the Notes represented thereby. See "Book-Entry; Delivery and Form." Bearer Notes will, unless otherwise specified, only be sold outside the United States to non-U.S. persons in reliance on Regulation S and will, unless otherwise specified in the applicable Final Terms, initially be represented by a Temporary Global Note without interest coupons attached, deposited with or on behalf of a Common Depositary located outside the United States for Euroclear and Clearstream, Luxembourg. Interests in a Temporary Global Note will be exchangeable for interests in a permanent global Note in bearer form, without interest coupons (a "Permanent Global Note"), which may be exchangeable in the limited circumstances set out therein in whole, but not in part, for definitive Notes in bearer form (each, a "Definitive Bearer Note"). See "Book-Entry; Delivery and Form." Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. See "Terms and Conditions of the Notes—Form, Denomination, Title, Specified Currency and Final Terms" and "Book-Entry; Delivery and Form."
Denominations:	Notes will be issued in such denominations as may be specified in the applicable Final Terms and, in all cases, Notes shall be issued in such other minimum denominations as may be allowed or required from time to time by the relevant central bank or equivalent regulatory authority in the relevant jurisdiction, or any laws or regulations applicable to the Issuer or the relevant Specified

	Currency, as the case may be, subject in all cases to changes in applicable legal or regulatory requirements. In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under European Council Directive 2003/71/EC (as amended from time to time, including pursuant to Directive 2010/73/EU (to the extent implemented in a relevant Member State)), the minimum denomination shall be at least €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes), and provided further that in respect of Notes offered in the United Kingdom with a maturity of less than one year, the minimum denomination shall be at least £100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes). In the case of any Registered Notes which are resold pursuant to Rule 144A under the Securities Act, as amended, the minimum denomination shall be at least U.S.$150,000 and integral multiples of U.S. $1,000 in excess thereof or, in respect of Notes denominated in a currency other than U.S. dollars, its approximate U.S. dollar equivalent. See "Terms and Conditions of the Notes — Form, Denomination, Title, Specified Currency and Final Terms" and "Book-Entry; Delivery and Form."
Use of Proceeds:	The net proceeds from the sale of Notes will be used by Santander for general banking purposes or as set forth in the Final Terms applicable to each Series.
Redemption:	The Final Terms relating to each Tranche of Notes will specify if such Notes can be redeemed prior to their stated maturity or if such Notes will be redeemable at par or at such other redemption amount as specified. See "Terms and Conditions of the Notes—Redemption and Purchase."
Tax Redemption:	The Notes will be redeemable at the Issuer's option, in whole (but not in part), at the amount specified in the applicable Final Terms, plus accrued interest, in the event the Issuer is obliged to pay any additional amounts in respect of, among other things, Brazilian or Cayman Islands (or any political subdivision or any other jurisdiction having power to tax in which the Issuer is organized, doing business or otherwise subject to the power to tax (any of the aforementioned being a "Taxing Jurisdiction")) withholding or other taxes as a result of a change in tax laws or regulations of a Taxing Jurisdiction or in the interpretation thereof. See "Terms and Conditions of the Notes—Redemption and Purchase—Redemption for Taxation Reasons."
Ranking:	The Notes will be direct, unconditional and unsubordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves and shall at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer subject to certain limitations on payments if there is a Foreign Currency Constraint Event, a Sovereign Event or a Credit Event. See "Terms and Conditions of the Notes—Status."

Negative Pledge:	There will be a negative pledge in respect of any Security securing any Public External Indebtedness or Guarantee in respect of Public External Indebtedness of the Issuer or any of its Material Subsidiaries subject to certain exceptions, all as more fully set out in Condition 4 of the Notes. See "Terms and Conditions of the Notes—Negative Pledge and Covenants."
Listing and Trading:	Application has been made to admit the Program for listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. Santander may apply to, but is not obliged to, admit the Notes to be issued under the Program to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. The Final Terms applicable to a Series will specify whether or not Notes of such Series have been admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. In case the Notes are not admitted to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market, Santander is not obliged to list the Notes on any other stock exchange.
Terms and Conditions:	The Terms and Conditions applicable to each Series of Notes will be as agreed between the Issuer and the relevant Dealers or purchasers at or prior to the date of issue of such Series and will be specified in the Final Terms prepared in respect of such Notes. The Terms and Conditions applicable to each Series will accordingly be those set out in this information memorandum as supplemented, modified or replaced by the relevant Final Terms.
Constitution:	The Notes are constituted, and investors' rights will be governed, by an amended and restated trust deed dated March 26, 2010, between the Issuer and HSBC Corporate Trustee Company (UK) Limited, as trustee (as amended from time to time, the "Trust Deed"), a copy of which will be available for inspection at the specified offices of the trustee, the registrar, the registered office of Santander and the Listing Agent.
Trustee:	HSBC Corporate Trustee Company (UK) Limited.
Principal Paying Agent:	Mizuho Corporate Bank, Ltd. London Branch.
European Issuing and Paying Agent, Exchange Agent and Calculation Agent:	HSBC Bank plc.
Registrar, Paying Agent and Transfer Agent	HSBC Bank USA, National Association (in respect of Registered Notes only).
Luxembourg Paying Agent, Transfer Agent and Listing Agent:	Banque Internationale à Luxembourg, société anonyme
Selling Restrictions:	The offer and sale of Notes will be subject to selling restrictions including, in particular, those of the United States of America, the United Kingdom, the Cayman Islands, Spain, Brazil, Portugal, Japan and the Bahamas. Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or

	reporting requirements in effect at the time of such issuance. See "Subscription and Sale." Any further restrictions that may apply to a particular issue of Notes will be specified in the applicable Final Terms.
Further Issuances:	The Issuer reserves the right, with respect to any Series of Notes, from time to time without the consent of the holders of the Notes, to issue additional Notes of a Series so that the same shall be consolidated with, form a single issue with, and increase the aggregate nominal amount of, such Series of Notes.
Governing Law:	The Notes and the Trust Deed will be governed by, and be construed in accordance with, English law.
Clearance and Settlement:	The Notes shall be accepted for clearing through one or more clearing systems as specified in the applicable Final Terms. These systems shall include, in the United States, the system operated by DTC and, outside the United States, the systems operated by Euroclear and Clearstream, Luxembourg.

SUMMARY FINANCIAL INFORMATION

Financial information for Santander Brasil at and for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 has been derived from our audited consolidated financial statements prepared in accordance with IFRS. Financial information for Banco Real has been consolidated with our consolidated financial statements since August 30, 2008. Our results of operations for the year ended December 31, 2008 are not comparable to our results of operations for the years ended December 31, 2007 or December 31, 2009 because of the consolidation of Banco Real in our consolidated financial statements as from August 30, 2008.

This financial information should be read in conjunction with our audited consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this information memorandum.

Income Statement Data in Accordance with IFRS

	Santander Brasil					
	For the year ended December 31,					
	2011	2011	2010	2009	2008	2007
	(in millions of U.S.$, except as otherwise indicated)[1]	(in millions of R$, except as otherwise indicated)				
Interest and similar income	27,581	51,736	40,909	39,343	23,768	13,197
Interest expense and similar charges	(12,706)	(23,834)	(16,814)	(17,176)	(12,330)	(7,002)
Net interest income	**14,875**	**27,902**	**24,095**	**22,167**	**11,438**	**6,195**
Income from equity instruments	50	94	52	30	37	36
Income from companies accounted for by the equity method	29	54	44	295	112	6
Fee and commission income	4,675	8,769	7,833	7,148	4,809	3,364
Fee and commission expense	(762)	(1,430)	(998)	(910)	(555)	(266)
Gains (losses) on financial assets and liabilities (net)	(61)	(114)	1,458	2,716	(1,286)	1,517
Exchange differences (net)	(65)	(121)	417	(51)	1,476	382
Other operating income (expenses)	(202)	(379)	(348)	(115)	(60)	133
Total income	**18,539**	**34,775**	**32,553**	**31,280**	**15,971**	**11,367**
Administrative expenses	(6,596)	(12,373)	(11,231)	(10,947)	(7,185)	(4,460)
Depreciation and amortization	(779)	(1,462)	(1,237)	(1,249)	(846)	(580)
Provisions (net)[2]	(1,632)	(3,061)	(1,974)	(3,481)	(1,230)	(1,196)
Impairment losses on financial assets (net)[3]	(5,001)	(9,382)	(8,234)	(9,966)	(4,100)	(2,160)
Impairment losses on other assets (net)	(21)	(39)	(21)	(901)	(77)	(298)
Gains (losses) on disposal of assets not classified as non-current assets held for sale	3	5	(59)	3,369	7	1
Gains (losses) on non-current assets held for sale not classified as discontinued operations	238	447	199	32	9	13
Operating profit before tax	**4,751**	**8,911**	**9,997**	**8,137**	**2,549**	**2,687**
Income taxes	(616)	(1,155)	(2,614)	(2,629)	(170)	(784)
Profit for the year	**4,135**	**7,756**	**7,383**	**5,508**	**2,379**	**1,903**
Earnings per share						
Basic and diluted earnings per 1,000 shares						
Common shares (*reais*)		18.55	17.67	15.32	11.59	14.02
Preferred shares (*reais*)		20.41	19.44	16.85	12.75	15.43
Common shares (U.S. dollars)[1]		9.89	10.61	9.19	6.69	8.41
Preferred shares (U.S. dollars)[1]		10.88	11.67	10.11	7.65	9.26
Dividends and interest on capital per 1,000 shares[4]						
Common shares (*reais*)		7.61	8.47	4.11	4.26	16.30
Preferred shares (*reais*)		8.37	9.32	4.52	4.69	17.93
Common shares (U.S. dollars)[1]		4.06	5.08	2.47	2.56	9.78
Preferred shares (U.S. dollars)[1]		4.46	5.59	2.71	2.81	10.76
Weighted average shares outstanding (in thousands) – basic and diluted						
Common shares		212,841,732	212,841,732	183,650,861	104,926,194	69,383,705
Preferred shares		186,202,385	186,202,385	159,856,132	91,168,064	60,285,449

(1) Translated for convenience only using the selling rate as reported by the Brazilian Central Bank at December 31, 2011 for *reais* into U.S. dollars of R$1.88 to U.S.$1.00.
(2) Mainly provisions for legal obligations, tax and social security, labor and civil litigations.
(3) Net provisions to the credit loss allowance less recovery of loans previously written off.
(4) Includes dividends based on net income and dividends based on reserves.

Balance Sheet Data in Accordance with IFRS

	Santander Brasil					
	At December 31,					
	2011	2011	2010	2009	2008	2007
	(in millions of U.S.$)[1]	(in millions of R$)				
Assets						
Cash and balances with the Brazilian Central Bank	35,152	65,938	56,800	27,269	23,700	22,277
Financial assets held for trading	15,941	29,901	24,821	20,116	19,986	12,293
Other financial assets at fair value through profit or loss[2]	355	665	17,940	16,295	5,575	1,648
Available-for-sale financial assets	23,781	44,608	47,206	46,406	30,736	9,303
Loans and receivables	108,091	202,757	174,107	152,163	162,725	55,034
Hedging derivatives	43	81	116	163	106	–
Non-current assets held for sale	71	132	67	172	113	32
Investments in associates	225	422	371	419	634	55
Tangible assets	2,670	5,008	4,518	3,702	3,829	1,111
Intangible assets	16,758	31,435	31,963	31,618	30,995	1,799
Tax assets	8,663	16,250	14,842	15,779	12,920	4,223
Other assets	1,432	2,687	1,912	1,871	2,871	544
Total assets	**213,182**	**399,886**	**374,663**	**315,973**	**294,190**	**108,319**
Liabilities						
Financial liabilities held for trading	2,691	5,047	4,785	4,435	11,210	4,650
Other financial liabilities at fair value through profit or loss	–	–	–	2	307	690
Financial liabilities at amortized cost.	155,375	291,452	253,341	203,568	213,973	84,781
Deposits from the Brazilian Central Bank and deposits from credit institutions	27,469	51,527	42,392	21,196	26,510	18,217
Customer deposits	93,013	174,474	167,949	149,440	155,495	55,147
Marketable debt securities	20,573	38,590	20,087	11,439	12,086	2,806
Subordinated liabilities	5,815	10,908	9,695	11,305	9,197	4,210
Other financial liabilities	8,504	15,952	13,218	10,188	10,685	4,401
Hedging derivatives	19	36	–	10	265	–
Liabilities for insurance contracts	–	–	19,643	15,527	–	–
Provisions[3]	5,073	9,515	9,395	9,480	8,915	4,816
Tax liabilities	6,331	11,876	10,530	9,457	6,156	1,719
Other liabilities	2,094	3,928	3,605	4,228	3,527	1,454
Total liabilities	**171,582**	**321,854**	**301,299**	**246,707**	**244,353**	**98,111**
Shareholders' equity	41,073	77,045	72,572	68,706	49,318	8,671
Valuation adjustments	516	968	784	559	514	1,537
Non-controlling interests	10	19	8	1	5	–
Total equity	**41,599**	**78,032**	**73,364**	**69,266**	**49,837**	**10,208**
Total liabilities and equity	**213,182**	**399,886**	**374,663**	**315,973**	**294,190**	**108,319**
Average assets	210,429	394,722	341,285	298,174	163,621	100,243
Average interest-bearing liabilities	130,316	244,446	198,456	184,332	109,455	69,204
Average shareholders' equity	40,365	75,716	71,875	56,192	23,110	10,521

(1) Translated for convenience only using the selling rate as reported by the Brazilian Central Bank at December 31, 2011 for *reais* into U.S. dollars of R$1.88 to U.S.$1.00.

(2) In 2010 and 2009, this item includes Investment fund units of Guarantors of Benefit Plans—PGBL/VGBL, in the amount of R$17,426 million and R$14,184 million, respectively, related to the liabilities for insurance contracts held by Santander Seguros, which were no longer included in the scope of consolidation in 2011, following the sale of Santander Seguros. See "Summary—Important 2011 Events—Sale of Santander Seguros".

(3) Mainly legal obligations, tax and social security, labor and civil litigation.

Ratios

	At and for the year ended December 31,				
	2011	2010	2009	2008	2007
Profitability and performance					
Net yield[(1)]	8.6%	8.8%	9.7%	8.6%	7.2%
Return on average total assets	2.0%	2.2%	1.8%	1.5%	1.9%
Return on average shareholders' equity	10.2%	10.3%	9.8%	10.3%	18.1%
Adjusted return on average shareholders' equity[(2)]	16.2%	16.9%	19.3%	16.8%	18.1%
Capital adequacy					
Average shareholders' equity as a percentage of average total assets	19.2%	21.1%	18.8%	14.1%	10.5%
Average shareholders' equity excluding goodwill as a percentage of average total assets excluding goodwill[(2)]	13.0%	13.9%	10.5%	9.2%	10.5%
Basel capital adequacy ratio[(3)]	19.9%	22.1%	25.6%	14.7%	14.2%
Asset quality					
Non-performing assets as a percentage of total loans[(4)]	6.7%	5.8%	7.2%	5.4%	4.1%
Non-performing assets as a percentage of total assets[(4)]	3.3%	2.7%	3.1%	2.6%	2.2%
Non-performing assets as a percentage of computable credit risk[(4)(5)]	6.0%	5.1%	6.2%	4.7%	3.2%
Allowance for credit losses as a percentage of non-performing assets[(4)]	85.5%	98.3%	101.7%	105.8%	107.5%
Allowance for credit losses as a percentage of total loans	5.7%	5.8%	7.2%	5.4%	4.4%
Net loan charge-offs as a percentage of total loans	4.7%	6.2%	6.2%	2.3%	4.7%
Non-performing assets as a percentage of shareholders' equity[(4)]	17.0%	12.9%	14.4%	15.7%	24.1%
Non-performing assets as a percentage of shareholders' equity excluding goodwill[(2)(4)]	26.2%	21.1%	24.5%	35.4%	24.1%
Liquidity					
Total loans, net as a percentage of total funding	66.4%	63.0%	66.4%	66.0%	60.7%
Deposits as a percentage of total funding	82.0%	87.6%	88.2%	89.5%	91.3%
Other Information					
Efficiency					
Efficiency ratio[(6)]	35.6%	34.5%	35.0%	45.0%	39.2%

(1) Net yield is defined as net interest income (including dividends on equity securities) divided by average interest earning assets.

(2) "Adjusted return on average shareholders' equity", "Average shareholders' equity excluding goodwill as a percentage of average total assets excluding goodwill" and "Non-performing assets as a percentage of shareholders' equity excluding goodwill" are non-GAAP financial measurements which adjust "Return on average shareholders' equity", "Average shareholders' equity as a percentage of average total assets" and "Non-performing assets as a percentage of shareholders' equity", to exclude the R$27 billion goodwill arising from the acquisition of Banco Real in 2008.

The reconciliation below presents the calculation of these non-GAAP financial measurements from each of their most directly comparable financial measurements. Such reconciliation was made only for the years ended December 31, 2011, 2010, 2009 and 2008 because goodwill was not material in the year ended December 31, 2007 and, accordingly, the ratios presented are unaffected by the exclusion of goodwill.

	At and for the Year Ended December 31,			
	2011	2010	2009	2008
	(in millions of R$, except as otherwise indicated)			
Return on average shareholders' equity:				
Consolidated profit for the year	7,756	7,383	5,508	2,379
Average shareholders' equity	75,716	71,875	56,192	23,110
Return on average shareholders' equity	10.2%	10.3%	9.8%	10.3%
Adjusted return on average shareholders' equity:				
Consolidated profit for the year	7,756	7,383	5,508	2,379
Average shareholders' equity	75,716	71,875	56,192	23,110
Average goodwill	27,975	28,312	27,714	8,925
Average shareholders' equity excluding goodwill	47,741	43,562	28,478	14,185
Adjusted return on average shareholders' equity	16.2%	16.9%	19.3%	16.8%
Average shareholders' equity as a percentage of average total assets:				
Average shareholders' equity	75,716	71,875	56,192	23,110
Average total assets	394,722	341,284	298,173	163,621
Average shareholders' equity as a percentage of average total assets	19.2%	21.1%	18.8%	14.1%
Average shareholders' equity excluding goodwill as a percentage of average total assets excluding goodwill:				
Average shareholders' equity	75,716	71,875	56,192	23,110
Average Goodwill	27,975	28,312	27,714	8,925
Average shareholders' equity excluding goodwill	47,741	43,562	28,478	14,185
Average total assets	394,722	341,284	298,173	163,621
Average Goodwill	27,975	28,312	27,714	8,925
Average total assets excluding goodwill	366,746	312,972	270,460	154,696
Average shareholders' equity excluding goodwill as a percentage of average total assets excluding goodwill	13.0%	13.9%	10.5%	9.2%
Non-performing assets as a percentage of shareholders' equity:				
Non-performing assets	13,073	9,349	9,900	7,730
Shareholders' equity	77,045	72,572	68,706	49,318
Non-performing assets as a percentage of shareholders' equity	17.0%	12.9%	14.4%	15.7%
Non-performing assets as a percentage of shareholders' equity excluding goodwill:				
Non-performing assets	13,073	9,349	9,900	7,730
Shareholders' equity	77,045	72,572	68,706	49,318
Goodwill	27,218	28,312	28,312	27,488
Shareholders' equity excluding goodwill	49,827	44,259	40,394	21,829
Non-performing assets as a percentage of shareholders' equity excluding goodwill	26.2%	21.1%	24.5%	35.4%

Our calculation of these non-GAAP measures may differ from the calculation of similarly titled measures used by other companies. We believe that these non-GAAP financial measures provide useful information to investors because the substantial impact of the R$27 billion goodwill arising from the acquisition of Banco Real during the year ended December 31, 2008 masks the significance of other factors affecting shareholders' equity and the related ratios. In addition, consistent with the guidance provided by the Basel II framework with respect to capital measurement, in all measures used to manage our business, we consider shareholders' equity excluding goodwill. We believe that exclusion of goodwill from shareholders' equity, in addition to being consistent with Basel II, reflects the economic substance of our capital because goodwill is not an asset that can absorb cash losses and we do not otherwise take it into account in managing our operations. Accordingly, we believe that the non-GAAP measures presented are useful to investors, because they reflect the economic substance of our capital. The limitation associated with the exclusion of goodwill from shareholders' equity is that it has the effect of excluding a portion of the total investment in our assets. We compensate for this limitation by also considering shareholders equity including goodwill, as set forth in the above tables.

(3) In July 2008, new regulatory capital measurement rules, which implement the Basel II standardized approach, went into effect in Brazil, including a new methodology for credit risk and operational risk measurement, analysis and management. As a result, our capital adequacy ratios as of any date after July 2008 are not comparable to our capital ratios as of any prior date. Our Basel capital adequacy ratios are calculated excluding goodwill, in accordance with the Basel II standardized approach (provided by the "International Convergence of Capital Measurement and Capital Standards — A Revised Framework Comprehensive Version" issued by the Basel Committee on Banking Supervision from the Bank for International Settlements). In December 2010, the Brazilian Central Bank issued Circular No. 3,515 that introduced the rule weight of 150% for lending operations over 24 months, allowing some exceptions given the type of operation, maturity and guarantees. In November 2011, Circular No. 3,515 was revoked and the Brazilian Central Bank issued Circular No. 3,563 that required the application of 150% ask weight for financing vehicles, risk weight reduction for payroll loans originated up to July 2011 from 150% to 75% or 100%, and raised the risk weight to 300% for payroll and personal loans that have no specific purpose and a term over 60 months, originated from November 14, 2011 onwards.

(4) Non-performing assets include all credits past due by more than 90 days and other doubtful credits. For further information see "Selected Statistical Information – Impaired Assets".

(5) Computable credit risk is the sum of the face amounts of loans and leases (including non-performing assets), guarantees and documentary credits.

(6) Efficiency ratio is defined as administrative expenses divided by total income. Our calculation for the efficiency ratio disclosed herein differs from another, with similar name, used by us in our quarterly managerial reports, due to an adjustment made in those quarterly reports in light of the results of the hedge of the investment in the Grand Cayman Branch, which is included in our total income. The adjustment, which impacts the line items income tax, gains (losses) on financial assets and liabilities and exchange rate differences, does not affect net profit. Our management believes that the adjusted efficiency ratio provides a more consistent framework for evaluating and conducting business, as a result of excluding from our revenues the effect of the volatility caused by possible gains and losses on our hedging strategies for tax purposes. For example, in 2011, the effects of the devaluation of the *real* against the U.S. dollar impacted our hedging of the investments held in our Grand Cayman Branch, generating losses of R$1,646 million recorded under "gains/losses on financial assets and liabilities (net)", equivalent to 1.6 percentage points variance in the efficiency ratio. In 2010 and 2009, the impact of hedging the investment held in our Grand Cayman Branch was a gain of R$272 million and R$1,146 million, respectively, which corresponded to a variation in the efficiency ratio of 0.3 percentage points in 2010 and 1.3 percentage points in 2009. Considering the adjusted calculation, which excludes the effect of the hedging of the investment in our Grand Cayman Branch as well as the variation of the foreign exchange rate of the *real* to U.S. dollar, the efficiency ratio was 34.0% in 2011, 34.8% in 2010 and 36.3% in 2009.

The table below presents the reconciliation of our adjusted efficiency ratio to the most directly comparable GAAP financial measurement for each of the periods presented.

	At and for the year ended December 31,				
	2011	2010	2009	2008	2007
	(in millions of R$, except as otherwise indicated)				
Efficiency ratio					
Administrative expenses	12,373	11,231	10,947	7,185	4,460
Total income	34,775	32,553	31,280	15,971	11,367
of which:					
Gains (losses) on financial assets and liabilities (net)	(235)	1,875	2,665	190	1,899
Efficiency ratio	**35.6%**	**34.5%**	**35.0%**	**45.0%**	**39.2%**
Total Income	34,775	32,553	31,280	15,971	11,367
Income tax including effects of Cayman tax hedge	1,646	272	1,146	–	–
Total income excluding effects of Cayman tax hedge	36,421	32,281	30,134	15,971	11,367
Administrative expenses	12,373	11,231	10,947	7,185	4,460
Total income excluding effects of Cayman tax hedge	36,421	32,281	30,134	15,971	11,367
of which:					
Gains (losses) on financial assets and liabilities (net) excluding effects of Cayman tax hedge	1,411	1,603	1,519	190	1,899
Efficiency ratio adjusted for effects of Cayman tax hedge	**34.0%**	**34.8%**	**36.3%**	**45.0%**	**39.2%**

RISK FACTORS

An investment in the Notes involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the Notes could decline due to any of these risks or other factors, and you may lose all or part of your investment. The risks described below are those that we currently believe may materially affect us.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement, together with Brazil's political and economic conditions, could adversely affect our financial condition and the market price of our securities.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policies and regulations. The Brazilian government's actions to control inflation and other policies and regulations historically have involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency fluctuations, taxation on investment flows, capital controls and limits on imports. Our business, financial condition and results of operations, as well as the market price of our securities, may be adversely affected by changes in policies or regulations involving, among others:

- interest rates;
- exchange rates and controls and restrictions on the movement of capital out of Brazil (such as those briefly imposed in 1989 and early 1990);
- currency fluctuations;
- inflation;
- liquidity of the domestic capital and lending markets; and
- tax and regulatory policies.

Although the Brazilian government has implemented what we believe to be sound economic policies over the past few years, uncertainty over whether the Brazilian government will implement changes in policy or regulation in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and in the securities issued abroad by Brazilian issuers. These uncertainties and other developments in the Brazilian economy may adversely affect us and the market value of our securities.

Near the end of 2010, in order to stabilize economic growth and prevent the economy from overheating, the Brazilian Central Bank began implementing certain restrictive monetary policies and other measures aimed at controlling consumer lending. These measures included increasing the minimum capital requirement for certain loans, establishing standards for credit card holders to make minimum payments on outstanding credit card balances (set at 15% of outstanding balances in June 2011 and increased to 20% in December 2011), and expanding compulsory deposits for financial institutions. Beginning in the second half of 2011, as indicators reflected a moderation and even potential weakening in economic activity, the Brazilian Central Bank eased many of the restrictive measures it had introduced previously. Any changes in regulatory capital requirements for lending, reserve requirements or credit card regulations, among others, may materially adversely affect our business.

Government efforts to control inflation may hinder the growth of the Brazilian economy and could harm our business.

Brazil has experienced extremely high rates of inflation in the past and has therefore implemented monetary policies that have resulted in one of the highest interest rates in the world. The Brazilian government's measures to fight inflation, principally through the Brazilian Central Bank, have had and may in the future have significant effects on the Brazilian economy and our business. Tight monetary policies with high interest rates and high compulsory deposit requirements may restrict Brazil's growth and the availability of credit, reduce our loan volumes and increase our loan loss provisions. Conversely, more lenient government and Brazilian Central Bank policies and interest rate decreases may trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect our interest rate spreads.

From January 2000 to August 2005, the average interest rate in Brazil was 18.9%, with a minimum rate of 15.25% and maximum of 26.50% during this period. With the favorable macroeconomic environment and inflation stability, the Brazilian Central Bank began a cycle of reducing interest rates starting in September 2005 from 19.5% to 8.75% in March 2010, when the interest rate reached a historical low. After this period, in order to balance domestic demand, the Brazilian Central Bank began another period of adjustment in interest rates, which reached 12.5% in July 2011. However, the Brazilian Central Bank revised its monetary policy in August 2011, when it implemented a monetary easing policy to mitigate the spillover effects of the ongoing international financial crisis (particularly in Europe). As a result of this change in policy, the Special System of Settlement and Custody (Sistema Especial de Liquidação e Custódia – SELIC rate (which is the benchmark interest rate payable to holders of certain securities issued by the Brazilian government) reached 9.75% in March 2012.

As a bank in Brazil, the vast majority of our income, expenses, assets and liabilities are directly tied to interest rates. Therefore, our results of operations and financial condition are significantly affected by inflation, interest rate fluctuations and related government monetary policies, all of which may materially and adversely affect the growth of the Brazilian economy, our loan portfolios, our cost of funding and our income from credit operations.

The increase in the base interest rates may adversely affect us by reducing the demand for our credit and investment products, increasing funding costs and risk of default by our customers. The decreases in basic interest rates may also have negative effects on our results by reducing interest income. We also use an asset and liability management strategy to protect net interest income. Any changes in interest rates may negatively impact our earnings, due to our asset and liability management strategy.

Changes in taxes and other fiscal assessments may adversely affect us.

The Brazilian government regularly enacts reforms to the tax and other assessment regimes to which we and our customers are subject. Such reforms include changes in the rate of assessments and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified and there can be no assurance that these reforms will not, once implemented, have an adverse effect upon our business. Furthermore, such changes may produce uncertainty in the financial system, increasing the cost of borrowing and contributing to the increase in our non-performing credit portfolio.

Furthermore, such changes may produce uncertainty in the financial system, increasing the cost of borrowing and contributing to the increase in our non-performing credit. Future changes in tax policy that may affect financial operations include the creation of new taxes. For example, in July 2011, the Brazilian government introduced a tax on securities transactions ("IOF/Securities-Derivatives") at the rate of 1.0% on the notional adjusted value of financial derivatives. Also, the government changed the tax charged on consumer financial transactions in 2011: an increase of 1.5% per year in April and a reduction of 0.5% per year in December. Until 2007, certain financial transactions were subject to the provisional contribution on financial transactions (*Contribuição Provisória sobre a Movimentação ou Transmissão de Valores e de Créditos e Direitos de Natureza Financeira*, or "CPMF"). However, much uncertainty exists as to whether the CPMF or a similar tax will be re-introduced in the future. Also, the Brazilian Congress may discuss broad tax reforms in Brazil to improve the efficiency of allocation of economic resources, as proposed by the executive branch of the Brazilian federal government. Major tax reforms in Brazil have been discussed over the last few years. We cannot predict if such tax reforms will be implemented in the future. The effects of these changes, if enacted, and any other changes that could result from the enactment of additional tax reforms, cannot be quantified.

Exchange rate volatility may have a material adverse effect on the Brazilian economy and on our business.

The Brazilian currency has during the past decades experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Between 2000 and 2002, the *real* depreciated significantly against the U.S. dollar, reaching an exchange rate of R$3.53 per U.S.$1.00 at the end of 2002. Between 2003 and mid-

2008, the *real* appreciated significantly against the U.S. dollar due to the stabilization of the macroeconomic environment and a strong increase in foreign investment in Brazil, with the exchange rate reaching R$1.56 per U.S.$1.00 in August 2008. As a result of the crisis in the global financial markets since mid-2008, the *real* depreciated 31.9% against the U.S. dollar over the course of 2008 and reached R$2.34 per U.S.$1.00 on December 31, 2008. The *real* recovered in the second half of 2009 and continued to appreciate in 2010, reaching R$1.74 per U.S.$1.00 on December 31, 2009 and R$1.66 per U.S.$1.00 on December 31, 2010, mainly due to the recovery of consumer confidence and exports and foreign investments in the second half of 2009, the effects of which continued through 2010. The *real* continued to appreciate in early 2011 reaching R$1.53 per U.S.$1.00 on July 26, but depreciated during the second half of the year due to the ongoing international financial crisis (particularly in Europe) which caused certain selling pressures on the *real*. The exchange rate as of December 31, 2011 was R$1.88 per U.S.$1.00. The *real* has since appreciated, reaching R$1.83 per U.S.$1.00 on March 29, 2012.

Depreciation of the *real* against the U.S. dollar could create inflationary pressures in Brazil and cause increases in interest rates, which could negatively affect the growth of the Brazilian economy as a whole and harm our financial condition and results of operations. Additionally, depreciation of the *real* could make our foreign currency-linked obligations and funding more expensive, negatively affect the market price of our securities portfolios and have similar consequences for our borrowers. Conversely, appreciation of the *real* relative to the U.S. dollar and other foreign currencies could lead to a deterioration of Brazilian foreign exchange currency accounts, as well as dampen export-driven growth. Depending on the circumstances, either depreciation or appreciation of the *real* could materially and adversely affect the growth of the Brazilian economy and our business, financial condition and results of operations.

Risks Relating to our Business and the Brazilian Financial Services Industry

Developments and the perception of risk in other countries, especially in the United States, European countries and in emerging market countries, may adversely affect our access to financing and the market price of our securities.

The market value of securities of Brazilian issuers is affected by economic and market conditions in other countries, including the United States, European countries (including Spain, where Santander Spain, our controlling shareholder, is based), as well as in other Latin American and emerging market countries. Even though the world economy and the financial and capital markets had been recovering from the 2008 crisis throughout 2010 and early 2011, the conditions of the global markets again deteriorated in 2011. European countries encountered serious fiscal problems, including high debt levels that impair growth and increase the risk of sovereign default. At the same time, the United States faced fiscal difficulties, which culminated in the downgrade of the U.S. long-term sovereign credit rating by *S&P*. Concerns regarding the crisis in Europe intensified in the third quarter of 2011 and the probability of a new global recession increased. Although economic conditions in those countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. In particular, investor perceptions of the risks associated with our securities may be affected by perception of risk conditions in Spain. Additionally, crises in other emerging market countries may diminish investor interest in the securities of Brazilian issuers, including our securities. This could adversely affect the market price of our securities, restrict our access to the capital markets and compromise our ability to finance our operations in the future on favorable terms, or at all.

We are exposed to the effects of the disruptions and volatility in the global financial markets and the economies in those countries where we do business, especially Brazil.

The financial global markets deteriorated sharply between 2007 and 2009. During this period, major financial institutions, including some of the largest global commercial banks, investment banks and insurance companies experienced significant difficulties, especially lack of liquidity and depreciation of financial assets. These difficulties constricted the ability of a number of major global financial institutions to engage in further lending activity and caused losses. In addition, defaults by, and doubts about the solvency of certain financial institutions and the financial services industry generally led to market-wide liquidity problems which led and could continue to lead to losses or defaults by, and bankruptcies of, other institutions and contributed to a severe global recession.

The global economy began to recover from these conditions towards the end of 2009. However, continued recovery depends on a number of factors, including a return of job growth and investments in the private sector as well as the timing of the exit from government credit easing policies by central banks globally. In addition, global investor confidence remains cautious and recent downgrades of the sovereign debt of Ireland, Greece, Portugal, Italy, Spain and France have caused renewed volatility in the capital markets. A continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on our ability to access capital and liquidity on financial terms acceptable to us, if at all. A slowing of the economic recovery or a renewed recession could result in a return of some or all of the adverse effects of the earlier recessionary conditions.

We continue to be exposed to disruptions and volatility in the global financial markets because of their effects on the financial and economic environment in the countries in which we operate, particularly Brazil, such as a slowdown in the economy, an increase in the unemployment rate, a decrease in the purchasing power of consumers and the lack of credit availability. We lend primarily to Brazilian borrowers, and these effects could materially and adversely affect our customers and increase our non-performing loans, resulting in increased risk associated with our lending activity and requiring us to make corresponding revisions to our risk management and loan loss reserve models. For example, in 2009, we experienced an increase in our non-performing loans overdue past 90 days from 5.4% of total loans on December 31, 2008 to 7.2% on December 31, 2009. After this period, the levels of these operations decelerated and reached 5.8%, at the end of December 2010. As of December 31, 2011, due in part to increasing global economic uncertainty and a slowdown in the Brazilian economy, non-performing loans overdue past 90 days increased and accounted for 6.7% of total loans.

Continued or worsening disruption or volatility in the global financial markets could further increase negative effects on the financial and economic environment in Brazil and the other countries in which we operate, which could have a material adverse effect on us.

Changes in regulation may negatively affect us.

Brazilian financial markets are subject to extensive and continuous regulatory review by the Brazilian government, principally by the Brazilian Central Bank and the CVM. We have no control over government regulations, which govern all aspects of our operations, including regulations that impose:

- minimum capital requirements;
- compulsory deposit and/or reserve requirements;
- requirements for investments in fixed rate assets;
- lending limits and other credit restrictions, including compulsory allocations;
- limits and other restrictions on fees;
- limits on the amount of interest banks can charge or the period for capitalizing interest;
- accounting and statistical requirements; and
- other requirements or limitations in the context of the global financial crisis.

The regulatory structure governing Brazilian financial institutions is continuously evolving, and the Brazilian Central Bank has been known to react actively and extensively to developments in our industry. For example, since early 2008, the Brazilian Central Bank has repeatedly amended the rules related to compulsory deposit requirements in order to adjust the market liquidity in light of financial and economic conditions. The measures of the Brazilian Central Bank and the amendment of existing laws and regulations, or the adoption of new laws or regulations (such as future implementation of Basel III rules related to regulatory capital) could adversely affect our ability to provide loans, make investments or render certain financial services.

Our securities and derivative financial instruments are subject to market price and liquidity variations due to changes in economic conditions and may produce material losses.

Financial instruments and securities represent a significant amount of our total assets. Any realized or unrealized future gains or losses from these investments or hedging strategies could have a significant impact on our income. These gains and losses, which we account for when we sell or mark-to-market investments in financial instruments, can vary considerably from one period to another. If, for example, we enter into derivatives transactions to protect ourselves against decreases in the value of the *real* or in interest rates and the *real* instead increases in value or interest rates increase, we may incur financial losses. We cannot forecast the amount of gains or losses in any future period, and the variations experienced from one period to another do not necessarily provide a meaningful forward-looking reference point. Gains or losses in our investment portfolio may create volatility in net revenue levels, and we may not earn a return on our consolidated investment portfolio, or on a part of the portfolio in the future. Any losses on our securities and derivative financial instruments could materially and adversely affect our operating income and financial condition. In addition, any decrease in the value of these securities and derivatives portfolios may result in a decrease in our capital ratios, which could impair our ability to engage in lending activity at the levels we currently anticipate.

The increasingly competitive environment and recent consolidations in the Brazilian financial services market may adversely affect our business prospects.

The Brazilian financial markets, including the banking, insurance and asset management sectors, are highly competitive. We face significant competition in all of our main areas of operation from other Brazilian and international banks, both public and private, as well as insurance companies. In recent years, the presence of foreign banks and foreign insurance companies in Brazil has increased, as well as competition in the sectors of banking and insurance. Furthermore, the consolidation of the Brazilian financial sector, with the merger of large banks, especially in 2008 and 2009, and the privatization of public banks, has increased competition in the Brazilian market for banking and financial services. In 2009, we experienced the compression of credit spreads by some of our competitors, following the public banks' aggressive increase in loans volume with spreads lower than those charged by private banks. As was the case in 2009, we may experience similar situations that may affect us negatively and reduce our market share in the future.

New mergers and acquisitions of banks and insurance companies by one of our competitors would likely increase such competitor's market share and customer base, and, as a result, we may face heightened competition. An increase in competition may negatively affect our business results and prospects by, among other things:

- limiting our ability to increase our customer base and expand our operations;
- reducing our profit margins on the banking, insurance, leasing and other services and products we offer; and
- increasing competition for investment opportunities.

We may experience increases in our level of past due loans as our loan portfolio matures.

Our loan portfolio has grown substantially in recent years. Any corresponding rise in our level of past due loans may lag behind the rate of loan growth. Rapid loan growth may also reduce our ratio of past due loans to total loans until growth slows or the portfolio becomes more seasoned. This may result in increases in our loan loss provisions, charge-offs and the ratio of past due loans to total loans. In addition, as a result of the increase in our loan portfolio and the lag in any corresponding rise in our level of past due loans, our historic loan loss experience may not be indicative of our future loan loss experience.

Our loan portfolio may not continue to grow at the same rate and economic uncertainty may lead to a contraction in our loan portfolio.

There can be no assurance that our loan portfolio will continue to grow at rates similar to the historical growth rate we have experienced. A reversal of the rate of growth of the Brazilian economy, a slowdown in the growth of customer demand, an increase in market competition or changes in governmental regulation and an increase of the

SELIC rate, could adversely affect the rate of growth of our loan portfolio and our risk index and, accordingly, increase our required allowances for loan losses. Economic uncertainty could materially adversely affect the liquidity, businesses and financial condition of our customers as well as lead to a general decline in consumer spending and a rise in unemployment. All this could in turn lead to decreased demand for borrowings in general, which could have a material adverse effect on our business.

During the second half of 2011, the Brazilian economy showed signs of a moderate slowdown in economic activity, reflecting the combination of weaker global demand and the delayed effects of the Brazilian Central Bank's restrictive monetary policies implemented between April 2010 and the first half of 2011. The deceleration was particularly sharp in industrial production, which remained weak throughout the year. Domestic demand also declined, but remained stronger than industrial activity, sustained by ongoing gains in employment and income. Inflation has declined as a result of the economic slowdown, but remains a point of concern for Brazilian regulatory authorities. Ongoing global volatility (particularly in Europe), combined with the relative decline in inflation and its inherent risks for the Brazilian economy led the Brazilian Central Bank to reduce the target SELIC rate to 11.0% per annum in December 2011, and the Brazilian Central Bank partially reversed certain of the restrictive measures adopted in 2010 in an effort to stimulate credit growth. In March 2012, the Brazilian Central Bank further reduced the SELIC rate to 9.75% per annum.

Credit, market and liquidity risks may have an adverse effect on our credit ratings and our cost of funds. Any downgrading in Brazil's, our controlling shareholder's, or our credit rating, would likely increase our cost of funding, require us to post additional collateral under some of our derivative contracts and adversely affect our interest margins and results of operations.

Credit ratings affect the cost and other terms upon which we are able to obtain funding. Rating agencies regularly evaluate us and their ratings of our long-term debt are based on a number of factors, including our financial strength as well as conditions affecting the financial services industry generally.

Any downgrade in Brazil's, our controlling shareholder's or our ratings would likely increase our borrowing costs and require us to post additional collateral under some of our derivative contracts and could limit our access to capital markets and adversely affect our commercial business. For example, a ratings downgrade could adversely affect our ability to sell or market certain of our products, such as subordinated securities, engage in certain longer-term and derivatives transactions, and retain our customers, particularly customers who need a minimum rating threshold in order to invest. This, in turn, could reduce our liquidity and have an adverse effect on our operating results and financial condition.

Our foreign currency long-term debt is currently rated BBB with a stable outlook by S&P, BBB+ with a stable outlook by Fitch Ratings Ltd. ("Fitch") and Baa2 with a positive outlook by Moody's Investor Services, Inc. ("Moody's"). On February 13, 2012, Fitch downgraded our controlling shareholder's ratings to A (Negative) from AA-, following a similar action on January 27, 2012 with the Spanish sovereign which was downgraded to A (Negative) from AA-. Furthermore, on February 13,2012, S&P downgraded the rating of our controlling shareholder to A (Negative) from AA. Additionally, on December 16, 2011, Moody's downgraded our controlling shareholder's rating to Aa3 (Negative) from Aa2, and on February 13, 2012, downgraded Spain's sovereign rating, to A3 (Negative) from Aa2. Any additional adverse revisions to our controlling shareholder's ratings and/or Brazil's credit ratings may adversely affect our ratings, business, future financial performance, stockholder's equity and price of our securities.

In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that the rating agencies will maintain their current ratings or outlooks, or with regard to those rating agencies who have a negative outlook on our company or our controlling shareholder, there can be no assurances that such agencies will revise such outlooks upward. Our failure to maintain favorable ratings and outlooks would likely increase our cost of funding and adversely affect our interest margins and results of operations.

The effectiveness of our credit risk management is affected by the quality and scope of information available in Brazil.

In assessing customers' creditworthiness, we rely largely on the credit information available from our own internal databases, certain publicly available consumer credit information and other sources. Due to limitations in the availability of information and the developing information infrastructure in Brazil, our assessment of credit risk associated with a particular customer may not be based on complete, accurate or reliable information. In addition, we cannot assure you that our credit scoring systems collect complete or accurate information reflecting the actual behavior of customers or that their credit risk can be assessed correctly. Without complete, accurate and reliable information, we have to rely on other publicly available resources and our internal resources, which may not be effective. As a result, our ability to effectively manage our credit risk and subsequently our loan loss allowances may be materially adversely affected.

Since our principal sources of funds are short-term deposits, a sudden shortage of funds could cause an increase in costs of funding and an adverse effect on our revenues.

Customer deposits are our primary source of funding. As of December 31, 2011, 55.3% of our customer deposits had remaining maturities of one year or less, or were payable on demand. A significant portion of our assets have longer maturities, resulting in a mismatch between the maturities of liabilities and the maturities of assets. If a substantial number of our depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, our liquidity position, results of operations and financial condition may be materially and adversely affected. We cannot assure you that in the event of a sudden or unexpected shortage of funds in the banking system, any money markets in which we operate will be able to maintain levels of funding without incurring higher funding costs or the liquidation of certain assets. If this were to happen, our results of operations and financial condition may be materially adversely affected.

Our business is highly dependent on proper functioning and improvement of information technology systems.

Our business is highly dependent on the ability of our information technology systems to accurately process a large number of transactions across numerous and diverse markets and products in a timely manner. The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems is critical to our business and our ability to compete effectively. We have backup data for our key data processing systems that could be used in the event of a catastrophe or a failure of our primary systems, and have established alternative communication networks where available. However, we do not operate all of our redundant systems on a real time basis and cannot assure you that our business activities would not be materially disrupted if there were a partial or complete failure of any of these primary information technology systems or communication networks. Such failures could be caused by, among other things, major natural catastrophes, software bugs, computer virus attacks or conversion errors due to system upgrading. In addition, any security breach caused by unauthorized access to information or systems, or intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, could have a material adverse effect on our business, results of operations and financial condition.

Our ability to remain competitive and achieve further growth will depend in part on our ability to upgrade our information technology systems and increase our capacity on a timely and cost effective basis. Any substantial failure to improve or upgrade information technology systems effectively or on a timely basis could materially and adversely affect our competitiveness, results of operations and financial condition.

We are subject to counterparty risk in our banking business.

We are exposed to counterparty risks in addition to credit risks associated with lending activities. Counterparty risk may arise from, for example, investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to us, or executing securities, futures, currency or commodity trades from proprietary trading activities that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. If these risks give rise to losses, this could materially and adversely affect our results of operations and financial condition. We have a diversified loan portfolio, with no specific concentration exceeding 10.0% of total loans, however we cannot assure this will continue to be the case. If counterparty risks give rise to losses, this could materially and adversely affect our results of operations and financial condition.

Failure to protect personal information could adversely affect us.

We manage and hold confidential personal information of customers in the conduct of our banking operations. Although we have procedures and controls to safeguard personal information in our possession, unauthorized disclosures could subject us to legal actions and administrative sanctions as well as damages that could materially and adversely affect our results of operations and financial condition.

Our loan portfolios are subject to risk of prepayment, which may result in reinvestment of assets on less profitable terms.

Our loan portfolios are subject to prepayment risk which results from the ability of a borrower to pay a loan prior to maturity and which comes at a time that is inconsistent with the financing of such loan by us. Generally, in a declining interest rate environment, prepayment activity increases with the effect of reducing weighted average lives of interest earning assets and adversely affecting results. Prepayment risk also has an adverse impact on our credit card and residential mortgage portfolios, since prepayments could shorten the weighted average life of these portfolios, which may result in a mismatch in funding or in reinvestment at lower yields.

Our market, credit and operational risk management policies, procedures and methods may not be fully effective in mitigating our exposure to all risks, including unidentified or unanticipated risks.

Our market and credit risk management policies, procedures and methods, including our use of value at risk, or "VaR", and other statistical modeling tools, may not be fully effective in mitigating our risk exposure in all economic market environments or against all types of risk, including risks that we fail to identify or anticipate. Some of our qualitative tools and metrics for managing risk are based upon our use of observed historical market behavior. We apply statistical and other tools to these observations to arrive at quantifications of our risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors we did not anticipate or correctly evaluate in our statistical models. This would limit our ability to manage our risks. Our losses thus could be significantly greater than the historical measures indicate. In addition, our quantified modeling does not take all risks into account. Our more qualitative approach to managing those risks could prove insufficient, exposing us to material unanticipated losses. If existing or potential customers believe our risk management is inadequate, they could take their business elsewhere. This could harm our reputation as well as negatively affect our revenues and profits.

In addition, our businesses depend on the ability to process a large number of transactions efficiently and accurately. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, information systems failures or from external events that interrupt normal business operations. We also face the risk that the design of our controls and procedures for mitigating operational risk proves to be inadequate or is circumvented. We have suffered losses from operational risk in the past, and there can be no assurance that we will not suffer material losses from operational risk in the future.

Our controlling shareholder has a great deal of influence over our business.

Santander Spain, our controlling shareholder, currently owns, directly and indirectly, approximately 75.6% of our total capital. Due to its share ownership, our controlling shareholder has the power to control us and our subsidiaries, including the power to:

- elect a majority of our directors that appoint our executive officers, set our management policies and exercise overall control over our company and subsidiaries;
- agree to sell or otherwise transfer its controlling stake in our company; and
- determine the outcome of substantially all actions requiring shareholder approval, including transactions with related parties, corporate reorganizations, acquisitions and dispositions of assets, and dividends.

The interests of Santander Spain may differ from our interests or those of our other shareholders, and the concentration of control in Santander Spain will limit other shareholders' ability to influence corporate matters. As a result, we may take actions that our other shareholders do not view as beneficial.

Risks Relating to the Notes

Holders of Notes with Sovereign Event or Credit Event provisions may be subject to certain additional risks.

In connection with Notes with Sovereign Event or Credit Event provisions, we may deliver Governmental Obligations, Credit Obligations or *reais*, as the case may be, to a São Paulo Paying Agent. Each holder will then be required to make arrangements, at its own cost and risk, to receive payments in *reais* or take delivery of the Governmental Obligations or the Credit Obligations. These arrangements may require the holder to open a demand deposit or securities account in Brazil. No assurance can be given as to whether the holder will be able to open such an account, any registration or other procedures that may be required to open any such account, or whether any taxes or fees will accrue or be payable by the holder as a result of opening such account. There can be no assurance as to whether legal recourse to the government of Brazil will exist or whether a market will exist for any such Governmental Obligations.

If a Sovereign Event or Credit Event occurs and we have opted to deliver Governmental Obligations or Credit Obligations, and are therefore prevented from delivering to the holders any Governmental Obligations or Credit Obligations, then our obligation to make the delivery shall be suspended until we are no longer prevented from making the delivery and holders will have no right either to call a default on the Notes or to sue for the undelivered Governmental Obligations or Credit Obligations. If such a condition occurs, there can be no assurance as to when, if ever, it will terminate.

If we are unable to make payments on the Notes from the Cayman Islands and must make payments from Brazil, we may experience delays in obtaining or be unable to obtain the necessary Brazilian Central Bank approvals, which would delay or prevent us from making payments on the Notes.

Securities issued through the Grand Cayman Branch do not require approval by or registration with the Brazilian Central Bank. Should we be required to make remittances under the Notes directly from Brazil (whether by reason of a lack of liquidity of the Grand Cayman Branch or imposition of any restriction under the laws of the Cayman Islands), a specific Brazilian Central Bank approval may be required in case payment under these Notes is made directly from Brazil (whether by reason of a lack of liquidity of the Grand Cayman Branch or imposition of any restriction under the laws of the Cayman Islands). If we are unable to obtain the required approvals in connection with the payment of amounts owed through our Grand Cayman Branch through remittances from Brazil, we may have to seek other lawful mechanisms to effect payment of amounts due under the Notes. However, we cannot guarantee that other remittance mechanisms will be available. If we are unable to make payments on the Notes through our Grand Cayman Branch and we are prevented from making the payments from Brazil, we will be forced to suspend payments on the Notes, which could adversely impact the market value of the Notes.

Our obligations under the Notes will be subordinated to some Brazilian statutory obligations.

Under Brazilian law, our obligations under the Notes will be subordinated to certain statutory preferences. In the event of our liquidation, bankruptcy, insolvency, liquidation, dissolution, winding up or similar proceeding, certain claims, such as claims for salaries and wages of our employees (subject to limitations imposed by Brazilian law), claims deriving from transactions secured by collateral (e.g. mortgage or pledge), as well as taxes and court expenses, will have preference over any other claim, including the Notes.

An active trading market for the Notes may not develop.

While application may be made to list the Notes on the Official List of the Luxembourg Stock Exchange and for them to be admitted to trading on the Euro MTF market, there can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected.

The market for debt securities issued by Brazilian companies is influenced by economic and market conditions in Brazil and, to varying degrees, market conditions and interest rates in other Latin American countries. For example, following the various economic crises in the region, the market for debt instruments issued by Latin American companies (including Brazilian companies) has been volatile, and this volatility has adversely affected the price of such securities. There can be no assurance that events in Latin America or elsewhere will not cause a continuation or recurrence of such market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect.

USE OF PROCEEDS

The net proceeds from the sale of each issue of Notes under the Program will be used by Santander for general banking purposes or as set forth in the Final Terms applicable to the Notes.

CAPITALIZATION

The following table presents our consolidated capitalization as of December 31, 2011, as derived from our consolidated financial statements included elsewhere in this information memorandum. See "Presentation of Financial and Other Information."

At December 31, 2011, Santander complied with the capital adequacy requirements of the CMN, which adopted, with certain modifications, the methodology of the Basel Accord. Santander reported to the Brazilian Central Bank its capital adequacy ratio at December 31, 2011 as 19.9% excluding goodwill. For a description of capital requirements applicable to Santander, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reserve and Lending Requirements."

Except as disclosed herein, there has been no material change in our total capitalization since December 31, 2011.

	At December 31, 2011
	(In millions of R$)
Liabilities	
Financial liabilities held for trading	5,047
Financial liabilities at amortized cost	291,452
Deposits from credit institutions	51,527
Customer deposits	174,474
Marketable debt securities	38,590
Subordinated liabilities	10,908
Other financial liabilities	15,952
Hedging Derivatives	36
Provisions	9,515
Tax liabilities	11,876
Other liabilities	3,928
Total liabilities	321,854
Shareholders' equity	77,045
Valuation adjustments	968
Non-controlling interests	19
Total capitalization(1)	399,886

(1) Total capitalization corresponds to total liabilities plus total shareholders' equity.

EXCHANGE RATES

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Brazilian Central Bank has allowed the *real*/U.S. dollar exchange rate to float freely, which resulted in increased foreign exchange rate volatility. Until early 2003, the value of the *real* declined in relation to the U.S. dollar. Since then, the trend has been of a strengthening of the *real*, except during the most severe period of the global economic crisis. In the past, the Brazilian Central Bank has intervened occasionally to control unstable movements of exchange rates. We cannot predict whether the Brazilian Central Bank or the Brazilian government will continue to let the *real* float freely or will intervene in the exchange rate through a currency band system or otherwise. The *real* may fluctuate against the U.S. dollar substantially in the future. For further information on these risks, see "Risk Factors—Risks Relating to Brazil—Exchange rate volatility may have a material adverse effect on the Brazilian economy and our business."

The following tables set forth the selling rate, expressed in *reais* per U.S. dollar (R$/U.S.$), for the periods indicated:

	Period-end	Average [1]	Low	High
	(per U.S. dollar)			
Year:				
2007	1.77	1.95	1.73	2.15
2008	2.33	1.84	1.56	2.50
2009	1.74	1.99	1.70	2.42
2010	1.66	1.76	1.65	1.88
2011	1.88	1.67	1.53	1.90

	Period-end	Average [1]	Low	High
	(per U.S. dollar)			
Month Ended:				
October 2011	1.69	1.77	1.69	1.89
November 2011	1.81	1.79	1.73	1.89
December 2011	1.88	1.84	1.78	1.88
January 2012	1.74	1.79	1.74	1.87
February 2012	1.71	1.72	1.70	1.74
March 2012 (through March 29)	1.83	1.79	1.72	1.83

Source: Brazilian Central Bank

(1) Represents the average of the exchange rates on the closing of each business day during the period.

Our parent company, Santander Spain, reports its financial condition and results of operations in euros. As of December 31, 2011, the euro/*real* exchange rate was R$2.43 per €1.00.

SELECTED FINANCIAL INFORMATION

The following information for Santander Brasil is included for analytical purposes and is derived from and should be read in conjunction with the consolidated financial statements contained elsewhere herein as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Average annual balance sheet data has been calculated based upon the average of the month-end balances at 13 seperate dates: the balance as of December 31st of the prior year and each of the month-end balances of the 12 subsequent months. Average income statement and balance sheet data and other related statistical information have been prepared on a consolidated annual basis. As from August 30, 2008, our consolidated financial information includes data of Banco Real. We believe that the average data set forth herein accurately reflect in all material respects our financial condition and results of operations at the dates and for the periods specified.

The selected statistical information set forth below includes information at and for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 extracted from the audited consolidated financial statements prepared in conformity with IFRS as issued by the IASB. See "Presentation of Financial and Other Information."

Average Balance Sheet and Interest Rates

The following tables show our average balances and interest rates for each of the periods presented. With respect to the tables below and the tables under "—Changes in Net Interest Income—Volume and Rate Analysis" and "—Assets—Earning Assets—Yield Spread", (1) we have stated average balances on a gross basis, before netting impairment losses, except for the total average asset figures, which include such netting, and (2) all average data have been calculated using month-end balances, which is not significantly different from having used daily averages. We stop accruing interest on loans once they are more than 60 days past due. All our non-accrual loans are included in the table below under "Other assets".

	At December 31,								
	2011			2010			2009		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	(in millions of R$, except percentages)								
Assets and Interest Income									
Cash and balances with the Brazilian Central Bank	55,100	6,297	11.4%	37,421	3,590	9.6%	17,879	1,667	9.3%
Loans and amounts due from credit institutions	19,017	1,219	6.4%	22,815	1,398	6.1%	31,122	2,901	9.3%
Loans and advances to customers	163,046	35,398	21.7%	137,046	29,290	21.4%	126,712	29,470	23.3%
Debt instruments	68,770	8,084	11.8%	57,830	6,442	11.1%	45,530	5,202	11.4%
Other interest-earning assets	–	738	–	–	189	–	–	103	–
Total interest-earning assets	**305,934**	**51,736**	**16.9%**	**255,112**	**40,909**	**16.0%**	**221,243**	**39,343**	**17.8%**
Equity instruments	17,324	94	0.5%	19,684	52	0.3%	7,746	30	0.4%
Investments in associates	402	–	–	421	–	–	506	–	–
Total earning assets	**323,660**	**51,830**	**16.0%**	**275,217**	**40,961**	**14.9%**	**229,495**	**39,373**	**17.2%**
Cash and balances with the Brazilian Central Bank	6,830	–	–	6,549	–	–	6,250	–	–
Loans and amounts due from credit institutions	3,082	–	–	1,064	–	–	3,152	–	–
Impairment losses	(10,359)	–	–	(9,119)	–	–	(8,765)	–	–
Other assets	35,089	–	–	31,889	–	–	33,007	–	–
Tangible assets	4,647	–	–	4,025	–	–	3,690	–	–
Intangible assets	31,772	–	–	31,660	–	–	31,345	–	–
Total average assets	**394,722**	**51,830**	**13.1%**	**341,285**	**40,961**	**12.0%**	**298,174**	**39,373**	**13.2%**
Liabilities and Interest Expense									
Deposits from the Brazilian Central Bank and Deposits from credit institutions	41,670	2,006	4.8%	35,274	1,147	3.3%	22,319	1,208	5.4%
Customer deposits	161,159	16,494	10.2%	139,825	12,774	9.1%	139,917	13,164	9.4%
Marketable debt securities	31,330	3,227	10.3%	13,404	1,213	9.0%	11,420	1,048	9.2%
Subordinated liabilities	10,288	1,213	11.8%	9,953	999	10.0%	10,676	1,077	10.1%
Other interest-bearing liabilities	–	893	–	–	682	–	–	679	–

	At December 31,								
	2011			2010			2009		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	(in millions of R$, except percentages)								
Total interest-bearing liabilities	**244,446**	**23,834**	**9.8%**	**198,456**	**16,815**	**8.5%**	**184,332**	**17,176**	**9.3%**
Deposits from credit institutions	321	–	–	196	–	–	100	–	–
Customer deposits – demand deposits	13,648	–	–	14,287	–	–	13,000	–	–
Other liabilities	60,579	–	–	56,467	–	–	44,546	–	–
Non-controlling interests	11	–	–	4	–	–	4	–	–
Equity	75,716	–	–	71,875	–	–	56,192	–	–
Total average liabilities and equity	**394,722**	**23,834**	**6.0%**	**341,285**	**16,815**	**4.9%**	**298,174**	**17,176**	**5.8%**

Changes in Net Interest Income—Volume and Rate Analysis

The following tables present the changes in our net interest income allocated between changes in average volume and changes in average rate for the year ended December 31, 2011 compared to the year ended December 31, 2010, and for the year ended December 31, 2010 compared to the year ended December 31, 2009. We have calculated volume variances based on movements in average balances over the period and rate variance based on changes in interest rates on average interest-earning assets and average interest-bearing liabilities. We have allocated variances caused by changes in both volume and rate to volume. You should read the following tables and the footnotes thereto in light of our observations noted in "—Average Balance Sheet and Interest Rates".

	For the years ended December31, 2011/2010			For the years ended December31, 2010/2009		
	Increase (decrease) due to changes in					
	Volume	Rate	Net change	Volume	Rate	Net change
Interest and Similar Income	(in millions of R$)					
Interest-earning assets						
Cash and balances with the Brazilian Central Bank	1,927	781	2,708	1,873	50	1,923
Loans and amounts due from credit institutions	(241)	63	(179)	(658)	(845)	(1,503)
Loans and advances to customers	5,638	470	6,108	2,306	(2,485)	(179)
Debt instruments	1,271	371	1,642	1,373	(133)	1,240
Other interest-earning assets	549	–	549	86	–	86
Total interest-earning assets	**9,143**	**1,684**	**10,827**	**4,980**	**(3,413)**	**1,567**
Investments in associates	(7)	49	42	34	(12)	22
Total earning assets	**9,136**	**1,733**	**10,869**	**5,014**	**(3,425)**	**1,589**

	For the years ended December31, 2011/2010			For the years ended December31, 2010/2009		
	Increase (decrease) due to changes in					
	Volume	Rate	Net change	Volume	Rate	Net change
	(in millions of R$)					
Interest Expense and Similar Charges						
Interest-bearing liabilities						
Deposits from the Brazilian Central Bank and Deposits from credit institutions	238	622	859	563	(624)	(61)
Customer deposits	2,080	1,641	3,721	(9)	(382)	(391)
Marketable debt securities	1,825	189	2,014	180	(14)	166
Subordinated liabilities	35	179	214	(73)	(4)	(77)
Other interest-bearing liabilities	212	–	212	1	–	1
Total interest-bearing liabilities	**4,390**	**2,631**	**7,020**	**662**	**(1,024)**	**(362)**

Assets

Earning Assets—Yield Spread

The following table analyzes our average earning assets, interest income and dividends on equity securities and net interest income and shows gross yields, net yields and yield spread for each of the periods indicated. You should read this table and the footnotes thereto in light of our observations noted in "—Average Balance Sheet and Interest Rates".

	For the year ended December 31,		
	2011	2010	2009
	(in millions of R$, except percentages)		
Average earning assets	323,660	275,217	229,495
Interest and dividends on equity securities(1)	51,830	40,961	39,373
Net interest income	27,902	24,095	22,167
Gross yield(2)	16.0%	14.9%	17.2%
Net yield(3)	8.6%	8.8%	9.7%
Yield spread(4)	6.3%	6.4%	7.8%

(1) Dividends on equity securities include dividends from companies accounted for by the equity method.
(2) Gross yield is the quotient of interest and dividends on equity securities divided by average earning assets.
(3) Net yield is the quotient of net interest income divided by average earning assets.
(4) Yield spread is the difference between gross yield on earning assets and the average cost of interest-bearing liabilities.

Return on Equity and Assets

The following tables present our selected financial ratios for the periods indicated.

	For the year ended December 31,		
	2011	2010	2009
ROA: Return on average total assets	2.0%	2.2%	1.8%
ROE: Return on average shareholders' equity	10.2%	10.3%	9.8%
Average shareholder's equity as a percentage of average total assets	19.2%	21.1%	18.8%
Payout(1)	41.0%	47.9%	26.8%

(1) Dividend payout ratio (dividends declared per share divided by net income per share).

Interest-Earning Assets

The following table shows the percentage mix of our average interest-earning assets for the years indicated. You should read this table in light of our observations noted in "—Average Balance Sheet and Interest Rates."

	For the year ended December 31,		
	2011	2010	2009
Cash and balances with the Brazilian Central Bank	18.0%	14.7%	8.1%
Loans and amounts due from credit institutions	6.2%	8.9%	14.1%
Loans and advances to customers	53.3%	53.7%	57.2%
Debt instruments	22.5%	22.7%	20.6%
Total interest-earning assets	**100.0%**	**100.0%**	**100.0%**

Loans and amounts due from credit institutions

The following tables show our short-term funds deposited with other banks at each of the dates indicated.

	At of December 31,		
	2011	2010	2009
	(in millions of R$)		
Time deposits	7,136	9,110	9,945
Reverse repurchase agreements	1,040	600	6,160
Escrow deposits	6,869	7,317	6,192
Cash and Foreign currency investments	4,247	5,827	3,493
Other accounts	459	144	412
Total	**19,751**	**22,998**	**26,202**

Investment Securities

At December 31, 2011, the book value of the investment securities was R$71.0 billion (representing 17.8% of our total assets in the period). Brazilian Government securities totaled R$56.8 billion, or 80.0%, of our investment securities at December 31, 2011. For a discussion of how the investment securities are valuated, see notes 6 and 7 to the consolidated financial statements.

The following table shows the carrying amounts of our investment securities by type and residence of the counterparty at each of the indicated dates:

	At December 31,		
	2011	2010	2009
	(in millions of R$)		
Debt securities			
Government securities—Brazil	56,833	55,444	53,620
Government securities—other countries	–	379	366
Other debt securities—domestic	12,058	6,433	3,554
Total domestic and international	**68,891**	**62,256**	**57,540**
Less-allowance for credit losses	–	–	(30)
Total debt securities	**68,891**	**62,256**	**57,510**
Equity securities			
Shares of Brazilian companies	1,002	1,153	1,471
Shares of foreign companies	1	1	68
Investment fund units and shares(1)	1,128	21,282	16,453
Total equity securities	**2,131**	**22,436**	**17,992**
Total investment securities	**71,022**	**84,692**	**75,502**

(1) In 2010 and 2009, includes Investment fund units Guarantors of Benefit Plans - PGBL/VGBL, related to the liabilities for insurance contracts. For further details see Note 3a to our audited consolidated financial statements.

As of December 31, 2011, we held no securities of single issuers or related groups of companies whose aggregate book or market value exceed 10% of our stockholders' equity, other than the Brazilian Government securities, which represented 73.8% of our stockholders' equity. Total value of debt securities was approximately 89.4% of the stockholders' equity.

The following table analyzes the maturities and weighted average yields of our debt investments securities (before impairment allowance) at December 31, 2011. Yields on tax-exempt obligations have not been calculated on a tax equivalent basis because the effect on such calculation is not relevant.

	At December 31, 2011					
	Maturing within 1 year	Maturing between 1 and 5 years	Maturing between 5 and 10 years	Maturing after 10 years	Total	Average Yield
	(in millions of R$)					
Debt Securities						
Government securities - Brazil...........	10,196	35,009	9,041	2,587	56,833	11.7%
Other debt securities...........................	4,080	3,347	4,615	16	12,058	11.8%
Total debt investment securities	**14,276**	**38,356**	**13,656**	**2,603**	**68,891**	**11.0%**

Loan Portfolio

At December 31, 2011, our total loans and advances to customers were R$194.2 billion (48.6% of our total assets). Net of allowances for credit losses, loans and advances to customers were R$183.0 billion at December 31, 2011 (45.8% of our total assets). In addition to loans, we had outstanding at December 31, 2011, 2010, 2009 and 2008, R$98.6 billion, R$93.5 billion, R$77.8 billion and R$68.8 billion, respectively, of loan commitments drawable by third parties.

Types of Loans

Substantially all of our loans are to borrowers domiciled in Brazil and are denominated in *reais*. The following tables analyze our loans and advances to customers (including securities purchased under agreements to resell), by type of customer loan, at each of the dates indicated. For each category of loan, we maintain specific risk management policies in line with the standards of the Santander Group and as managed and monitored by our board of directors through the credit committee. Our credit approval processes for each category of loan are structured primarily around our business segments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations –Risk Management –Credit Risk" for details on our credit approval policies for retail and wholesale lending.

We have a diversified loan portfolio with no specific concentration exceeding 10% of total loans.

	At December 31,				
	2011	2010	2009	2008	2007
	(in millions of R$)				
Commercial, financial and industrial(1)..................	94,922	78,101	66,601	76,407	32,879
Real estate-construction(2)......................................	6,280	5,392	3,828	2,469	301
Real estate-mortgage(3)	10,018	6,698	5,226	4,472	1,692
Installment loans to individuals(4)..........................	76,459	60,251	49,103	46,857	16,178
Lease financing(5)..	6,506	10,116	13,636	12,444	402
Loans and advances to customers, gross (6)	**194,184**	**160,558**	**138,394**	**142,649**	**51,452**
Impairment losses...	(11,118)	(9,192)	(10,070)	(8,181)	(2,249)
Loans and advances to customers, net	**183,066**	**151,366**	**128,324**	**134,468**	**49,203**

(1) Includes primarily loans to small and medium-size businesses, or SMEs in our Commercial Banking segment, and to Global Banking & Markets, or GB&M, corporate and business enterprise customers in our Wholesale Global Banking segment. The principal products offered to SMEs in this category include revolving loans, overdraft facilities, installment loans, working capital and equipment finance loans. Credit approval for SMEs is based on customer income, business activity, collateral coverage and internal and external credit scoring tools. Collateral on commercial, financial and industrial lending to SMEs generally includes receivables, liens, pledges, guarantees and mortgages, with coverage generally ranging from 100% to 150% of the loan value depending on the risk profile of the loan. Our Wholesale Global Banking customers are offered a range of loan products ranging from typical corporate banking products (installment loans, working capital and equipment finance loans) to more sophisticated products (derivative and capital markets transactions). As Wholesale Global Banking customers tend to be larger businesses, credit approval is based on customer credit quality as evaluated by a specialized team of risk analysts taking account the business revenues and credit history of each customer, among other items. Underwriting policies for this category of loans to our Wholesale Global Banking customers are focused on the type of guarantee or collateral provided. Certain loans (BNDES products) are generally secured by liens on financed machinery and equipment, though guarantees may also be provided as additional security.

(2) Includes construction loans made principally to real estate developers that are SMEs and corporate customers in our Wholesale Global Banking Segment. Credit approval is carried out by a specialized team of risk analysts which follows a specific set of underwriting standards and analysis of each customer based on, among other things, business revenues and credit history. Loans in this category are generally secured by mortgages and receivables, though guarantees may also be provided as additional security.
(3) Includes loans on residential real estate to individuals. Credit approval policies in this category are determined by reference to the type of lending product being offered, the type and location of the real estate, the revenue or income of the business or customer, respectively, requesting the loan and internal and external credit scoring information. All loans granted under this category are secured by the financed real estate. Loan-to-value ratios for loans in this category are generally limited to 80% and the average loan to value ratio for new loans is approximately between 50% and 60%.
(4) Consists primarily of unsecured personal installment loans (including loans whose payments are automatically deducted from a customer's payroll), revolving loans, overdraft facilities, consumer finance facilities and credit cards. Credit approval in this category is based on individual income, debt-to-income ratio and internal and external credit scoring models. Credit approval for many of these types of loans is based on automatic scoring models, with pre-set lending limits based on credit scores. For example, the maximum lending amount on revolving loans and overdraft facilities may vary from between 50% and 250% of an individual's monthly income, depending on the specific product and credit score of the individual.
(5) Includes primarily automobile leases and loans to individuals. Credit approval is based both on an automatic scoring model using external credit scores and on evaluation by our branch personnel following our risk management policies. The vehicle financed acts as collateral for the particular loan granted.
(6) Includes the debit balances (financial assets) of all the credit and loans granted by us, including money market operations through central counterparties, except for credit of any nature in the name of credit institutions or those represented by securities.

Maturity

The following table presents an analysis by maturity of our loans and advances to customers by type of loan at December 31, 2011.

	Maturity							
	Less than one year		One to five years		Over five years		Total	
	Balance	% of Total	Balance	% of Total	Balance	% of Total	Balance	% of Total
	(in millions of R$, except percentages)							
Commercial, financial and industrial	58,952	51.5%	32,901	46.1%	3,069	36.9%	94,922	48.9%
Real estate	5,683	5.0%	6,036	8.5%	4,579	55.1%	16,298	8.4%
Installment loans to individuals	46,200	40.4%	29,600	41.4%	658	8.0%	76,459	39.4%
Lease financing	3,614	3.1%	2,890	4.0%	3	0.0%	6,506	3.3%
Loans and advances to customers, gross	**114,449**	**100.0%**	**71,427**	**100.0%**	**8,308**	**100%**	**194,184**	**100.0%**

Fixed and Variable Rate Loans

The following table presents a breakdown of our fixed and variable rate loans having a maturity of more than one year at December 31, 2011.

	Fixed and variable rate loans having a maturity of more than one year
	(in millions of R$)
Fixed rate	50,824
Variable rate	28,912
Total	**79,736**

Cross-Border Outstandings

The following table presents, at each balance sheet date indicated, the aggregate amount of our cross-border outstandings (which consist of loans, interest-bearing deposits with other banks, acceptances and other monetary assets denominated in a currency other than the home-country currency of the office where the item is booked). Cross-border outstandings do not include local currency loans made by subsidiary banks in other countries to the extent that such loans are funded in the local currency or hedged. As a result, they do not include the majority of the loans by our Grand Cayman Branch, which are fully hedged.

	At December 31,					
	2011		2010		2009	
	Balance	% of Total Assets	Balance	% of Total Assets	Balance	% of Total Assets
	(in millions of R$, except percentages)					
OECD countries[1]						
Austria	366	0.1%	379	0.1%	571	0.2%
Spain	256	0.1%	954	0.3%	1,289	0.4%
United States	8,305	2.1%	1,630	0.4%	2,383	0.8%
Netherlands	5,675	1.4%	3,825	1.0%	—	—
Other OECD countries[2]	583	0.1%	227	0.1%	673	0.2%
Total OECD	15,186	3.8%	7,015	1.9%	4,916	1.6%
Non-OECD countries						
Latin American countries[2]	60	—	66	—	79	—
Cayman Islands	4,081	1.0%	4,175	1.1%	3,615	1.1%
Other[2]	354	0.1%	135	—	258	0.1%
Total non-OECD	4,495	1.1%	4,376	1.2%	3,952	1.2%
Total	**19,681**	**4.9%**	**11,391**	**3.0%**	**8,868**	**2.8%**

(1) The Organization for Economic Cooperation and Development.

(2) Aggregate outstandings in any single country in this category do not exceed 0.75% of our total assets.

The following table presents the amounts of our cross-border outstandings at December 31, 2009, 2010 and 2011 by type of borrower where outstandings in the borrower's country exceeded 0.75% of total assets.

	Government	Banks and Other Financial Institutions	Commercial and Industrial	Other Loans	Total
	(in millions of R$)				
2009					
United States	—	2,239	—	144	2,383
Cayman Islands	496	—	3,075	44	3,615
Total	**496**	**2,239**	**3,075**	**188**	**5,998**
2010					
United States	—	1,314	—	316	1,630
Netherlands	—	120	3,705	—	3,825
Cayman Islands	542	12	3,621	—	4,175
Total	**542**	**1,446**	**7,326**	**316**	**9,630**
2011					
United States	—	8,048	257	—	8,305
Netherlands	—	—	5,675	—	5,675
Cayman Islands	—	—	4,081	—	4,081
Total	**—**	**8,048**	**10,013**	**—**	**18,061**

Changes in Allowances for Credit Losses (impairment losses)

The following table analyzes movements in our allowances for credit losses for the periods indicated.

	For the year ended December 31,				
	2011	2010	2009	2008	2007
	(in millions of R$)				
Balance at beginning of year	**9,192**	**10,070**	**8,181**	**2,249**	**2,170**
Inclusion of entities in the Bank in the year	-	-	-	4,717	-
Impairment losses charged to income for the year	11,191	9,051	10,520	4,534	2,474
Write-off of impaired balances against recorded impairment allowance	(9,203)	(9,929)	(8,631)	(3,319)	(2,395)
Balance at end of year	**11,180**	**9,192**	**10,070**	**8,181**	**2,249**
Of which:					
Loans and advances to customers	**11,118**	**9,192**	**10,070**	**8,181**	**2,249**
Loans and amounts due from credit institutions	**62**	**-**	**-**	**-**	**-**

The tables below show a breakdown of recoveries, net provisions and charge-offs against credit loss allowance by type of borrower for the periods indicated.

	For the year ended December 31,				
	2011	2010	2009	2008	2007
	(in millions of R$)				
Recoveries of loans previously charged off[(1)]	**1,809**	**819**	**537**	**430**	**294**
Commercial, financial and industrial	353	89	42	144	101
Real estate – mortgage	65	69	58	29	11
Installment loans to individuals	1,331	635	420	246	163
Lease finance	60	26	17	11	19
Acquired companies	**-**	**-**	**-**	**4,717**	**-**
Commercial, financial and industrial	-	-	-	1,988	-
Real estate – mortgage	-	-	-	48	-
Installment loans to individuals	-	-	-	2,610	-
Lease finance	-	-	-	71	-
Impairment losses charged to income for the year [(1)]	**11,191**	**9,051**	**10,520**	**4,534**	**2,474**
Commercial, financial and industrial	2,943	3,098	3,071	1,453	261
Real estate – mortgage	98	71	28	26	6
Installment loans to individuals	7,972	5,780	7,198	2,951	2,180
Lease finance	178	102	223	104	27
Write-off of impaired balances against recorded impairment losses	**(9,203)**	**(9,929)**	**(8,631)**	**(3,319)**	**(2,395)**
Commercial, financial and industrial	(2,470)	(3,209)	(3,073)	(739)	(310)
Real estate – mortgage	(36)	(42)	(31)	(13)	(7)
Installment loans to individuals	(6,484)	(6,509)	(5,377)	(2,513)	(2,028)
Lease finance	(212)	(169)	(150)	(54)	(50)

(1) Impairment losses on financial assets, net, as reported in our consolidated financial statements, reflect net provisions for credit losses less recoveries of loans previously charged off.

The table below shows a breakdown of allowances for credit losses by type of borrowers and the percentage of loans in each category as a share of total loans at the date indicated.

	At December 31,					
	2011	% of total loans	2010	% of total loans	2009	% of total loans
	(in millions of R$, except percentages)					
Borrowers						
Commercial, financial and industrial	3,748	52.1%	3,274	52.0%	3,386	50.9%
Mortgage loans	180	5.2%	119	4.2%	90	3.8%
Installment loans to individuals	7,096	39.4%	5,608	37.5%	6,336	35.5%
Lease financing	157	3.3%	191	6.3%	258	9.9%
Total	**11,180**	**100.0%**	**9,192**	**100.0%**	**10,070**	**100.0%**

Impaired Assets

The following tables show our impaired assets, excluding country-risk.

	At December 31,				
	2011	2010	2009	2008	2007
	(in millions of R$, except percentages)				
Non-performing assets					
Past-due and other non-performing assets(1)	13,073	9,348	9,899	7,730	2,093
Non-performing assets as a percentage of total loans	6.7%	5.8%	7.2%	5.4%	4.1%
Net loan charge-offs as a percentage of total loans	4.7%	6.2%	6.2%	2.3%	4.7%

(1) Includes at December 31, 2011, R$689 million of doubtful loans (2010 – R$927 million, 2009 - R$484 million, 2008 - R$1,260 million and 2007 - R$66 million) that were not past-due and therefore were accounted for on an accrual basis. The amount of interest owed on non-accruing assets that would have been recorded had such assets accrued interest in the year ended December 31, 2011 would have been R$2,769 million, in the year ended December 31, 2010 would have been R$2,049 million, in the year ended December 31, 2009 would have been R$2,005 million and in the year ended December 31, 2008 would have been R$658 million. No loan that was more than 60 days past due was accounted for on an accrual basis.

Changes in Impaired Assets

The following tables show the movement in our impaired assets (excluding country-risk, see "— Cross-Border Outstandings").

	As of December 31,				
	2011	2010	2009	2008	2007
	(in millions of R$)				
Balance at beginning of year	**9,348**	**9,899**	**7,730**	**2,093**	**2,010**
Net additions	12,927	9,378	10,800	5,035	2,478
Write-offs	(9,203)	(9,929)	(8,631)	(3,319)	(2,395)
Increase in scope of consolidation	-	-	-	3,921	-
Balance at end of year	**13,073**	**9,348**	**9,899**	**7,730**	**2,093**

In 2011, financial markets were affected by the restrictive monetary policies adopted by the Brazilian Central Bank at the end of 2010, which included raising the SELIC (the interbank settlement rate). Despite the Brazilian Central Bank's actions, we maintained our credit growth strategy, maintaining a focus on prudence and quality in lending. Through a robust credit risk management system, with ongoing monitoring of credit risk policies, we believe we were able to minimize customer defaults that could have resulted from the Brazilian Central Bank's monetary policies.

Non-performing assets increased R$3,725 million (39.8%) in the year ended December 31, 2011, compared to the year ended December 31, 2010, due primarily to an increase in nonperforming loans to individuals of R$2,857 million, or 58.7%.

The following table sets forth our non-performing assets by type of loan for each of the dates indicated.

	At December 31,				
	2011	2010	2009	2008	2007
	(in millions of R$)				
Impaired assets					
Commercial, financial and industrial	4,775	3,563	3,618	2,730	502
Real estate – mortgage	172	150	109	74	23
Installment loans to individuals	7,720	4,863	5,335	4,528	1,558
Lease financing	406	772	837	398	10
Total	**13,073**	**9,348**	**9,899**	**7,730**	**2,093**

Commercial, financial and industrial

Non-performing assets in commercial, financial and industrial loans on December 31, 2011 increased R$1,212 million, or 34.0%, compared to December 31, 2010, mainly due to an increase in lending in this category.

Real estate – mortgage

Non-performing assets in real estate – mortgage loans increased R$22 million, or 14.5%, at December 31, 2011, compared to December 31, 2010, mainly due to an increase in lending in this category.

Installment loans to individuals

Non-performing assets in installment loans to individuals increased R$2,856 million, or 58.7%, at December 31, 2011 compared to December 31, 2010. This figure was adversely influenced by an increase in Brazilian interest rates, inflation and certain measures implemented by the Brazilian Central Bank to control consumer credit, which directly affected the individuals segment of the banking system, mainly the consumer lending portfolio.

Lease financing

Non-performing loans in lease financing decreased R$366 million, or 47.4%, in the year ended December 31, 2011 compared to the same period of last year, mainly due to a decrease in lending in this category, in line with market trends.

Impaired Asset Ratios

The following tables show the ratio of our impaired assets to total computable credit risk and our coverage ratio at the dates indicated.

	At December 31,				
	2011	2010	2009	2008	2007
	(in millions of R$, except percentages)				
Computable credit risk(1)	216,756	183,121	159,362	164,695	64,558
Non-performing assets	13,073	9,348	9,899	7,730	2,093
Allowances for credit losses	11,180	9,192	10,070	8,181	2,249
Ratios					
Non-performing assets to computable credit risk	6.0%	5.1%	6.2%	4.7%	3.2%
Coverage ratio(2)	85.5%	98.3%	101.7%	105.8%	107.5%

(1) Computable credit risk is the sum of the face amounts of loans and leases (including non-performing assets but excluding country risk loans), guarantees and documentary credits.
(2) Allowances for non-performing assets as a percentage of non-performing assets.

Non-current assets held for sale

The following table shows the movements in non-current assets held for sale at the dates indicated.

	At December 31,		
	2011	2010	2009
	(in millions of R$, except percentages)		
Balance at beginning of year	**168**	**356**	**291**
Foreclosures loans and other assets transferred[(1)]	24,875	38	229
Disposals[(1)]	(24,820)	(226)	(183)
Acquired companies	-	-	19
Final balance, gross	**223**	**168**	**356**
Impairment losses	(91)	(101)	(184)
Impairment as a percentage of foreclosed assets	40.8%	60.1%	51.7%
Balance at end of year	**132**	**67**	**172**

(1) In 2011, includes R$24.7 billion of assets of Santander Seguros. Additionally, in 2011 we sold R$22.3 billion of liabilities that were associated with non-current assets held for sale of Santander Seguros. For further details see Note 3.a to our audited consolidated financial statements.

Liabilities

Deposits

The principal components of our deposits are customer demand, time and notice deposits, and international and domestic interbank deposits. Our retail customers are the principal source of our demand, time and notice deposits.

The following tables analyze our deposits at the dates indicated.

	At December 31,		
	2011	2010	2009
	(in millions of R$)		
Deposits from central banks and credit institutions			
Time deposits	27,023	28,867	20,838
Demand deposits	133	344	195
Repurchase agreements	24,371	13,180	164
Total	**51,527**	**42,391**	**21,197**
Customer deposits			
Current accounts	13,561	16,132	15,140
Savings accounts	23,293	30,303	25,216
Time deposits	83,942	68,916	74,634
Repurchase agreements	53,678	52,598	34,450
Total	**174,474**	**167,949**	**149,440**
Total deposits	**226,001**	**210,340**	**170,637**

The following table shows the maturity of time deposits (excluding inter-bank deposits) in denominations of U.S.$100 thousand or more at the dates indicated. Large denomination customer deposits may be a less stable source of funds than demand and savings deposits.

	At December 31, 2011	
	Domestic	International
	(in millions of R$)	
Under 3 months	9,822	2,545
3 to 6 months	766	21
6 to 12 months	2,259	853
Over 12 months	19,059	19
Total	**31,906**	**3,438**

Short-Term Borrowings

The following table shows our short-term borrowings consisting of government securities that we sold under agreements to repurchase for purpose of funding our operations.

	As of December 31,					
	2011		2010		2009	
	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
	(in millions of R$, except percentages)					
Securities sold under agreements to repurchase						
At December 31	78,048	10.9%	65,778	9.8%	34,614	9.9%
Average during the period	64,510	11.9%	53,623	10.3%	32,493	11.5%
Maximum month-end balance	76,693		68,734		37,214	
Total short-term borrowings at year end	**78,048**		**65,778**		**34,614**	

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements as of and for the years ended December 31, 2011, 2010 and 2009 and the related notes. The preparation of the financial statements referred to in this section required the adoption of assumptions and estimates that affect the amounts recorded as assets, liabilities, revenue and expenses in the years and periods addressed and are subject to certain risks and uncertainties. Our future results may vary substantially from those indicated as a result of various factors that affect our business. Our consolidated financial statements as of and for the years ended December 31, 2011, 2010 and 2009 have been prepared in accordance with IFRS.

Overview

We are a leading full-service bank in Brazil, which we believe to be one of the most attractive markets in the world given its growth potential and low penetration rate of banking products and services. We are the third largest private bank in Brazil, in terms of assets, with an 8.4% market share, as of September 30, 2011, and the largest bank in Brazil controlled by a major global financial group according to the Brazilian Central Bank. Our operations are present in all Brazilian regions and strategically positioned in the south and southeast regions, areas that accounted for approximately 72.0% of Brazil's GDP, and where we have one of the largest branch networks of any Brazilian bank. For the year ended December 31, 2011, we generated net profit of R$7.8 billion, and at that date we had total assets of R$399.9 billion and total equity of R$78.0 billion. Our Basel capital adequacy ratio (excluding goodwill) was 19.9%.

We operate our business along three segments: Commercial Banking, Global Wholesale Banking and Asset Management and Insurance. Through our Commercial Banking segment, we offer traditional banking services, including checking and savings accounts, home and automobile financing, unsecured consumer financing, checking account overdraft loans, credit cards and payroll loans to mid- and high-income individuals and corporations (other than to our GB&M clients). Our Global Wholesale Banking segment provides sophisticated and structured financial services and solutions to a group of approximately 700 large local and multinational conglomerates, offering such products as global transaction banking, syndicated lending, corporate finance, equity and treasury. Through our Asset Management and Insurance segment, we manage fixed income, money market, equity and multi-market funds and offer insurance products complementary to our core banking business to our retail and small- and medium-sized corporate customers.

Effects of the Global Financial Markets Crisis on our Financial Condition and Results of Operations

The global financial markets crisis has significantly affected the world economy since the second half of 2008. It has led to recessions and increasing unemployment in the world's leading economies, a reduction in investments on a global scale, a decrease in raw material prices and a sharp decline in credit availability and liquidity, as well as a general closure of the capital markets worldwide.

In Brazil, however, the effects of the global financial markets crisis have been relatively moderate compared to those in the United States and Europe, and the Brazilian economy has experienced a rapid and strong recovery. After contracting 0.3% in 2009, GDP increased 7.5% in 2010 when compared to the previous year. In 2011, the economy slowed down to a growth of an estimated 2.7%, reflecting the lagged effects of a more restrictive monetary policy by the Brazilian Central Bank and the spillover of the international financial crisis (primarily in Europe). Although some export-oriented companies have suffered revenue decreases, relatively strong domestic demand has sustained economic growth in Brazil, particularly due to high consumer confidence, strong labor markets and minimum wage readjustments. Brazilian banks are funded almost entirely by domestic deposits, which have increased during the financial crisis as funds were moved from asset management vehicles into bank deposits, which are perceived to be safer. Also, the Brazilian Central Bank diminished reserve requirements and, in response, public banks increased their supply of credit. As a result, the global liquidity crisis had relatively little impact in Brazil.

The global financial markets crisis has not had a material impact on our liquidity and capital resources due to the relatively stable economic environment in Brazil, our relatively low dependence on funding from the international markets, a proactive approach from the Brazilian Central Bank (detailed below) and the liquidity cushion we built up in response to the global financial markets crisis. We gauge liquidity needs on a recurring basis based on our business plans and we pursue funding actions based on anticipated funding needs.

During the financial crisis in 2008 and 2009, the Brazilian Central Bank took steps to minimize the impact of the crisis. These steps included reducing reserve requirements, creating a time deposit with higher insured value and guaranteed by the FGC to be used as a funding alternative for small and midsize banks, and providing that small and midsize banks could be financed by or sell loan portfolios to large banks. In 2010, upon the easing of the financial crisis, there was a reversal of some of these measures, such as a replenishment of the reserve requirements and the establishment of a schedule for gradually reducing the volume of time deposits with special guarantee (Depósito a Prazo com Garantia Especial, or "DPGE").

In the first half of 2011, the Brazilian Central Bank began focusing on measures to control economic growth and inflation in Brazil. By mid-year, when the global economy began showing signs of uncertainty, the government and the Brazilian Central Bank reversed this course and started implementing measures to stimulate the economy, including reducing interest rates. Moreover, in November, the Brazilian Central Bank adjusted capital requirements for consumer loans to provide incentives for banks to lend. Capital requirements for short-term consumer loans were reduced, while capital requirements for longer term consumer loans were increased. In December 2011, in a further effort to increase liquidity in the banking system, the Brazilian Central Bank announced changes to decrease the return on a portion of required reserves when these resources are not used by banks to either buy loan portfolios from smaller banks, or Financial Bills (*Letras Financeiras*), or used as interbank loans.

Other Factors Affecting Financial Condition and Results of Operations

As a Brazilian bank, we are significantly affected by the general economic environment in Brazil. The following table presents key data of the Brazilian economy for the periods indicated.

	For the Year ended December 31,		
	2011	2010	2009
GDP growth(1)	2.7%	7.5%	(0.3%)
CDI rate(2)	11.6%	9.7%	9.9%
TJLP(3)	6.0%	6.0%	6.1%
SELIC rate(4)	11.00%	10.75%	8.75%
Increase (decrease) in value of *Real* against U.S. dollar	(12.6%)	4.3%	25.5%
Selling exchange rate (at period end) R$ per U.S.$1.00	R$1.88	R$1.67	R$1.74
Average exchange rate R$ per U.S.$1.00(5)	R$1.67	R$1.76	R$1.99
Inflation (IGP-M)(6)	5.1%	11.3%	(1.7%)
Inflation (IPCA)(7)	6.5%	5.9%	4.3%

Sources: BNDES, Brazilian Central Bank, FGV, IBGE and LCA Consultores.

(1) Revised series. Source: IBGE.
(2) The CDI rate is the average daily interbank deposit rate in Brazil (at the end of each month and annually).
(3) Represents the interest rate applied by the BNDES for long-term financing (at the end of the period).
(4) The benchmark interest rate payable to holders of some securities issued by the Brazilian government and traded on the SELIC.
(5) Average of the selling exchange rate for the last day of each month during the period.
(6) The inflation rate is the general index of market prices (Índice Geral de Preços-Mercado, or "IGP-M"), as calculated by FGV.
(7) The inflation rate is the consumer price index (Índice de Preços ao Consumidor – Amplo, or "IPCA"), as calculated by the IBGE

Interest Rates

Since the implementation of an inflation target framework in 1999, local interest rates have been on a downward trend. The SELIC was lowered from 45.00% per annum in 1999 to 13.75% in 2008, shortly before the recent worldwide financial crisis began. The worldwide financial crisis led to further reductions of the SELIC, which reached 8.75% in 2009 (its lowest historical level). The reduction in the SELIC contributed significantly to the economic recovery. The normalization of local liquidity conditions and inflationary pressure in 2010 has led the monetary authority to raise rates by 375 basis points between April 2010 and July 2011, when the SELIC reached 12.50%. The deepening of the international crisis, combined with the first signs of slowdown in domestic activity, however, led the Brazilian Central Bank to resume monetary easing in August 2011. As of March 8, 2012, the SELIC was at 9.75%.

The following table presents the low, high, average and period-end SELIC since 2007, as reported by the Brazilian Central Bank.

	Low	High	Average(1)	Period-End
Year				
2007	11.25	13.00	11.98	11.25
2008	11.25	13.75	12.54	13.75
2009	8.75	12.75	9.92	8.75
2010	8.75	10.75	10.00	10.75
2011	11.00	12.50	11.71	11.00

(1) Average of month-end rates during the period.

Our assets are predominantly fixed rate and our liabilities predominantly floating. The resulting exposure to increases in market rates of interest is modified by our use of cash flow hedges to convert floating rates to fixed, but we maintain an exposure to interest rate movements. As of December 31, 2011, a 100 basis point increase in the yield curve would have resulted in R$263 million decline in the net interest income over a one-year period.

Credit Volume

Credit volume in Brazil has increased significantly since 2004, mainly driven by lower inflation, decreasing interest rates and consistent economic growth. The worldwide financial crisis temporarily affected credit growth rates in late 2008 and early 2009. The monetary stimulus implemented by the Brazilian Central Bank and the aggressive stance of public owned banks on credit supply led to the beginnings of a recovery in 2009, which intensified in 2010.

The credit to GDP ratio increased from 35.2% in December 2007 to 48.8% of GDP in January 2012. Although this is one of the highest levels ever achieved by Brazil, it is still low compared to other economies.

	2011	2010	2009
		(in Billions of *Reais*)	
Total Credit Outstanding	2,030	1,706	1,414
Earmarked credit	727	590	460
Market based credit	1,303	1,116	955
of which:			
corporate	651	556	485
individuals (retail)	652	560	470

Some figures may be subject to revision by the Brazilian Central Bank
Source: Brazilian Central Bank

Foreign Exchange Rates

At December 31, 2011, we had U.S.$15.9 billion in foreign currency-denominated funding and U.S.$15.8 billion in foreign currency denominated assets. Our policy is to maintain limited foreign exchange rate exposure by seeking to match foreign currency denominated assets and liabilities as closely as possible, including through the use of derivative instruments. In 2011, we recorded foreign exchange losses of R$121 million. In 2010, we recorded foreign exchange gains of R$416 million as a result of the effect of the depreciation of the U.S. dollar against the *real* on our assets and liabilities position in U.S. dollar denominated instruments during the year. These foreign exchange gains and losses were offset in large part in each year by a corresponding loss or gain on derivatives used to hedge this exposure. Such losses and gains are recorded under "Exchange differences (net)".

The Brazilian currency has experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies during the last decades. Between 2000 and 2002, the *real* depreciated significantly against the U.S. dollar, reaching an exchange rate of R$3.53 per U.S.$1.00 at the end of 2002. Between 2003 and mid-2008, the *real* appreciated significantly against the U.S. dollar due to the stabilization of the macroeconomic environment and a strong increase in foreign investment in Brazil, with the exchange rate reaching R$1.56 per U.S.$1.00 in August 2008. In the context of the crisis in the global financial markets, the *real* depreciated to R$2.34 per U.S.$1.00 by December 31, 2008. With global economic recovery, the Brazilian currency appreciated to R$1.74 per U.S.$1.00 at December 31, 2009 and R$1.66 per U.S.$1.00 at December 31, 2010. The recent volatility in international markets contributed to the depreciation of the *real* in the second half of 2011, reaching R$1.88 per U.S.$1.00 on December 31, 2011.

Inflation

The introduction of the inflation targeting regime in 1999 resulted in important inflation reduction (measured by the official rate, the IPCA, Consumer Price Index estimated by the IBGE). In recent years, inflation has been oscillating around the target, which is defined by the National Monetary Council. The target has been set at 4.5% since 2005 with a tolerance interval of 2 percentage points above and below this target.

In 2009, the global financial crisis contributed to contain inflation. In 2010, domestic demand recovery and commodity price increases contributed to inflation of 5.9%. In 2011, consumer price inflation advanced to 6.5%, driven primarily by a 9% increase in services prices.

Reserve and Lending Requirements

The Brazilian Central Bank's reserve and lending requirements have a significant effect on the results of operations of banks in Brazil. The raising or lowering of these requirements impacts our results of operations by limiting or increasing the amount of funds available for commercial lending operations.

During 2011, the Brazilian Central Bank maintained the rules on reserve requirements for the liquidity in the Brazilian financial system. The increase in the level of required reserves in 2011 is justified by the increase in the volume of our funding from R$41.2 billion (or 35% of total deposits) at December 31, 2010 to R$44.8 billion (or 29.6% of total deposits) at December 31, 2011 (in accordance with Brazilian GAAP). The main changes in reserve requirements were as follows:

On December 22, 2011, the Brazilian Central Bank issued Circular No. 3,569/11, amended on February 10, 2012 by Circular No. 3,576/12, consolidating and redefining term deposit reserve requirements applicable to commercial banks, multiservice banks, development banks, investment banks, foreign exchange banks, savings banks and credit, financing and investment companies. According to such rule, the percentage of term deposit reserves eligible to earn interest will be limited to 80% in February 2012, 75% beginning in April 2012, 70% beginning in June 2012 and 64% beginning in August 2012.

The Brazilian Central Bank also (1) redefined the limitation on deductibility from time deposit reserve requirements for transactions where the counterparty is a smaller financial institution and (2) reduced the Tier 1 Regulatory Capital criterion (*Patrimônio de Referência, Nível I*) applicable to smaller financial institutions from R$2.5 billion to R$2.2 billion for purposes of deductibility from time deposit reserve requirements. Interbank deposit transactions with a smaller financial institution for purposes of such deduction must be concluded before

June 29, 2012. In addition, the reduction of term deposit reserve requirements of R$1 billion now applies to financial institutions with Tier I Regulatory Capital ranging from R$5 billion to R$15 billion, instead of from R$5 billion to R$7 billion as previously set forth by Circular No. 3,569/11.

The following table presents the reserve and lending requirements to which we are subject for each category of funding.

Product	As of December 31, 2010	As of December 31, 2011	Form of Required Reserve	Yield
Demand deposits				
Rural credit loans(1)	29%	28%	Loans and Cash	6.75% p.a. and Zero for Cash
Microcredit loans(2)	2%	2%	Loans and Cash	Cap rate: 2% p.m. and Zero for Cash
Reserve requirements	43%	43%	Cash	Zero
Additional reserve requirements	12%	12%	Cash	SELIC
Free funding(3)	14%	15%		
Savings accounts				
Mortgage loans	65%	65%	Loans and Cash	Cap of TR + 12% p.a. and TR + 6.17% for Cash
Reserve requirements	20%	20%	Cash	TR + 6.17% p.a.
Additional reserve requirements	10%	10%	Cash	SELIC
Free funding(3)	5%	5%		
Time deposits				
Reserve requirements	20.0%	20.0%		
In cash or credit(4)	7.2%	7.2%	Cash or Credit	SELIC for Cash
In cash	12.8%	12.8%	Cash	SELIC
Additional reserve requirements	12%	12%	Cash	SELIC
Free funding(3)	68.0%	68.0%		

(1) Rural credit loans are loans to agricultural customers, of which R$4.3 billion and R$4.9 billion were outstanding as of December 31, 2011 and December 31, 2010, respectively. On July 1, 2011, there was a reduction in the rate of 29% to 28%, which had been expected pursuant to CMN Resolution No. 3,746 dated as of June 30, 2009. This rate will continue to decrease in coming years to 27% on July 7, 2012 and 26% on July 7, 2013.

(2) Microcredit loans are loans to very small businesses, of which R$209.8 million and R$216.1 million were outstanding as of December 31, 2011 and December 31, 2010, respectively.

(3) Free funding is the amount of each category of funding we are free to use for any purpose.

(4) Includes only credit acquired up to December 31, 2011 from financial institutions having net capital of less than R$2.5 billion.

Taxes

Our tax expense mainly consists of two components: (1) a federal income tax and (2) a social contribution tax. The federal income tax is calculated at a rate of 15%, plus a 10% surtax assessed on taxable profits in excess of R$240 thousand per annum. The social contribution tax is calculated at a rate of 15% (for financial institutions) of certain net revenues (9% through April 30, 2008, 15% and from May 1, 2008). Deferred tax assets and liabilities are computed based on temporary differences between the book basis and tax basis of assets and liabilities, tax losses, and adjustments to fair value of securities and derivatives. In addition, we are assessed PIS and COFINS taxes at a rate of 4.65% on certain revenues, net of certain expenses. Under IFRS, since PIS/COFINS taxes are assessed on the basis of certain revenues net of certain expenses, the Bank classifies these taxes as income taxes.

The Tax on Financial Transactions *(Imposto sobre Operações Financeiras)*, or "IOF" is currently paid by the customer (contributor) on loans at a daily rate of 0.0041% for legal entities and 0.0068% for individuals up to a cap of 1.5% plus an additional rate of 0.38% per financial transaction. Generally, loans for legal entities with maturity greater than 365 days are currently subject to an IOF/credit tax at a rate of 1.88% (maximum rate). Besides the fact that the Bank is responsible for withholding the IOF, the tax does not affect our reported results since the customer is the one that is considered the contributor.

Cayman Offshore Hedging

We operate a branch in the Cayman Islands which is used primarily for sourcing funds in the international banking and capital markets to provide credit lines for us that are extended to our customers for working capital and trade-related financings. Our investment in our Grand Cayman Branch is denominated in U.S. dollars in the amount of U.S.$8.9 billion as of December 31, 2010 and U.S.$9.6 billion as of December 31, 2011. We hedge the resulting U.S. dollar-denominated exposure through transactions in U.S. dollar futures in Brazil, which are not recorded as hedge accounting. For this purpose, our position in U.S. dollar futures as of December 31, 2010 was U.S.$6.1 billion and as of December 31, 2011 it was U.S.$8.6 billion. Changes in the fair value of these futures are reflected under gains and losses on financial assets. Under Brazilian income tax rules, the gain resulting from the impact of a devaluation of the *real* on our U.S. dollar denominated investment in the Grand Cayman Branch is nontaxable and the loss resulting from the impact of an appreciation of the *real* is not deductible. This tax treatment results in volatility in the income tax items in our income statement. This asymmetry is offset by the hedging results because our derivative positions generate losses (tax deductible since the transactions are carried out in Brazil) in the case of devaluation of the *real* and gains (taxable) in the case of appreciation. As a result, our Cayman Islands investments and the related hedge will continue to result in variations in our effective tax rate. The hedge effect on income taxes on December 31, 2011 caused gains of R$1,646 million on tax expenses. The after-tax effect of these derivative positions provides a hedge against the tax foreign currency exposure that results from our Cayman Islands investment.

Goodwill of Banco Real

We generated goodwill of R$27 billion as a result of the acquisition of Banco Real in 2008. Under IFRS, we are required to analyze goodwill for impairment at least annually or whenever there are indications of impairment. In 2011, 2010 and 2009, we assessed goodwill impairment based on net present value techniques. The future cash flow was based on management estimates and assumptions that are subject to several factors, including: (1) macro-economic projections of interest rates, inflation, exchange rate and others, (2) conduct and growth estimates (3) increased costs, returns, synergies and investment plans, (4) behavior of customers, and (5) growth rates and adjustments applied to future cash flows. We did not identify any impairment to the goodwill relating to Banco Real in 2011, 2010 and 2009. For tax purposes, goodwill is amortized over a seven-year period. The difference between the tax basis and accounting basis of goodwill on the acquisition of Banco Real is considered permanent, since the possibility of future use of resources to settle a tax liability is considered remote by management. The goodwill realization at the Santander Brasil entity level is also considered remote because the possibility of loss on impairment or disposal only applies to the entity as a whole. According to the characteristics of the business combination performed it is not possible to segregate and identify the business originally acquired. Therefore, amortization of goodwill related tax generates a permanent difference and there is no record of the deferred tax liability.

Main Assumptions:	**2011**	**2010**	**2009**
Basis of valuation		**Value in use: cash flows**	
Period of the projections of cash flows [(1)]	10 years	10 years	10 years
Growth rate	5.0%	5.0%	4.5%
Discount rate [(2)]	15.2%	15.5%	15.2%

(1) The projections of cash flow are prepared using internal budget and growth plans of management, based on historical data, market expectations and conditions such as industry growth, interest rates and inflation.

(2) The discount rate is calculated based on the capital asset pricing model.

We performed a sensitivity test in the goodwill impairment analysis considering main premises that could reasonably possibly change, as required by the IFRS. Accordingly, we applied such a test considering the discount rate as the main premise subject to reasonable possible change and we did not identify any impairment to goodwill.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with IFRS as issued by IASB, and interpretations issued by IFRIC.

Our consolidated financial statements for the years ended December 31, 2008 and 2007 were the first to be prepared in accordance with IFRS, with a date of first implementation of January 1, 2007 (opening balance sheet).

General

Our principal accounting policies are described in note 2 to our audited consolidated financial statements. The following discussion describes those areas that require the most judgment or involve a higher degree of complexity in the application of the accounting policies that currently affect our financial condition and results of operations. The accounting estimates made in these contexts require management to make assumptions about matters that are highly uncertain. In each case, if management had made other estimates, or if changes in these estimates occur from period to period, these accounting estimates could have a material impact on our financial condition and results of operations.

Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under current circumstances. Actual results may differ from these estimates if assumptions and conditions change. Judgments or changes in assumptions are submitted to the audit and compliance committee and to our regulatory authorities and are disclosed in the notes to our consolidated financial statements.

Fair value of Financial Instruments

We record financial assets and liabilities as financial instruments that are classified at fair value through profit or loss, available for sale securities, and all derivatives at fair value on the balance sheet. The fair value of a financial instrument is the value at which it could be bought or sold in a current transaction between knowledgeable, willing parties on an arm's-length basis. If a quoted price in an active market is available for an instrument, the fair value is calculated based on that price.

If there is no market price available for a financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving the same or similar instruments and, in the absence thereof, on the basis of valuation techniques commonly used by the financial markets.

We use derivative financial instruments for both trading and non-trading activities. The principal types of derivatives used are interest rate swaps, future rate agreements, interest rate options and futures, foreign exchange forwards, foreign exchange futures, foreign exchange options, foreign exchange swaps, cross currency swaps, equity index futures, equity options, and equity swaps. The fair value of standard derivatives is calculated based on published price quotations. The fair value of over-the-counter derivatives is calculated as the sum of the expected future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques commonly used by the financial markets as follows:

- The present value method for valuing financial instruments permitting static hedging (principally, forwards and swaps) and loans and advances. Expected future cash flows are discounted using the interest rate curves of the applicable currencies. The interest rate curves are generally observable market data.

- The Black-Scholes model for valuing financial instruments requiring dynamic hedging (principally structured options and other structured instruments). Certain observable market inputs are used in the Black-Scholes model to generate variables such as the bid-offer spread, exchange rates, volatility, correlation between indexes and market liquidity, as appropriate.

- Each of the present value methods and the Black-Scholes models are used for valuing financial instruments exposed to interest rate risk, such as interest rate futures, caps and floors. The main inputs used in these models are principally observable market data, including appropriate interest rate curves, volatilities, correlations and exchange rates.

- We use dynamic models, similar to those used in the measurement of interest rate risk, for measuring credit risk of linear instruments (such as bonds and fixed-income derivatives). In the case of non-linear instruments, if the portfolio exposed to credit risk (such as credit derivatives), the joint probability of default is determined using the Standard Gaussian Copula model. The main inputs used to determine the underlying cost of credit for credit derivatives are quoted credit risk spreads, and the correlation between quoted credit derivatives of various issuers.

- The determination of fair value requires us to make certain estimates and assumptions. If quoted market prices are not available, fair value is calculated using widely accepted pricing models that consider contractual prices of the underlying financial instruments, yield curves, contract terms, observable market data, and other relevant factors. The use of different estimates or assumptions in these pricing models could lead to a different valuation being recorded in our consolidated financial statements.

See note 2d (iii) to our consolidated financial statements for additional information on valuation techniques used by us and details of the principal assumptions and estimates used in these models and the sensitivity of the valuation of financial instruments to changes in the principal assumptions used.

Impairment Losses on Financial Assets

We assess financial assets accounted for at amortized cost for objective evidence of impairment. Any resulting allowances for credit losses are recognized and measured in accordance with IAS 39. Credit losses exist if the carrying amount of an asset or a portfolio of assets exceeds the present value of the estimated future cash flows.

We cover losses inherent in debt instruments not measured at fair value through profit or loss and in contingent liabilities taking into account the historical experience of impairment and other circumstances known at the time of assessment. For these purposes, inherent losses are losses incurred at the reporting date, calculated using statistical methods that have not yet been allocated to specific transactions.

We use the concept of incurred loss to quantify the cost of credit risk and include it in the calculation of risk-adjusted return of its transaction. Incurred loss is the expected cost of the credit risk of a transaction that will manifest itself within a one year (business cycle) lead time from the balance sheet date considering the characteristics of the counterparty and the guarantees and collateral associated with the transaction.

The loss is calculated by using statistical models that consider the following three factors: "exposure at default", "probability of default" and "loss given default".

Exposure at default or "EAD" is the amount of risk exposure at the date of default by the counterparty.

In accordance with IFRS, the exposure at default used for this calculation is the current exposure, as reported in the balance sheet.

Probability of default, or "PD", is the probability of the counterparty failing to meet its principal and/or interest payment obligations.

PD is measured using a time horizon of one year; that is, it quantifies the probability of the counterparty defaulting in the coming year. The definition of default includes amounts past due by ninety days or more and cases in which there are no arrears but there are doubts as to the solvency of the counterparty (subjective doubtful assets).

Loss given default, or "LGD", is the loss arising in the event of default.

LGD calculation is based on the observation of the recoveries of defaulted loans, taking into account the guarantees/collateral associated with the transaction, the income and expenses associated with the recovery process, and also the timing thereof and the indirect costs arising from the recovery process.

Our methodology used for determining the allowance for incurred losses not specifically identified seeks to identify the amount of incurred losses as of the balance sheet date of loans that have not yet been identified as impaired, but are estimated, based on our past experience and specific factors, to become impaired within one year from the balance sheet date. We refer to such impairment as inherent losses in the context of our internal credit loss allowance models.

The approach described above is used as a general rule and covers almost the entire portfolio. However, for low default portfolios (sovereign risk, credit institutions or large corporations) the number of defaults observed is very small or zero. In these cases, we use data contained in the credit derivative spreads to estimate the expected loss discounted by the market and break it down into PD and LGD.

Impairment

Certain assets, including goodwill, other intangible assets, equity method investments, financial assets not carried at fair value through profit or loss, and other assets are subject to impairment review. We record impairment charges when we believe there is objective evidence of impairment, or that the cost of the assets may not be recoverable. Assessment of what constitutes impairment is a matter of significant judgment.

We test goodwill and other intangible assets for impairment on an annual basis, or more frequently if events or changes in circumstances, such as an adverse change in business climate or observable market data, indicate that these assets may be impaired. An impairment loss recognized for goodwill may not be reversed in a subsequent period. The fair value determination used in the impairment assessment requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, requiring management to make subjective judgments and assumptions. Events and factors that may significantly affect the estimates include, among other things, competitive forces, customer behavior and attrition, changes in revenue growth trends, cost structures and technology, and changes in discount rates and specific industry or market sector conditions.

All debt and equity securities (other than those carried at fair value through profit or loss) are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred.

Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the issuer may not pay amounts when due. Equity securities are impaired when management believes that, based on (the combination of) a significant or prolonged decline of fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. “Significant” and “prolonged” are interpreted on a case-by-case basis for specific equity securities.

Upon impairment, the full difference between amortized cost and fair value is removed from equity and recognized in net profit or loss. Impairments on debt securities may be reversed if there is a decrease in the amount of the impairment which can be objectively related to an observable event. Impairments on equity securities may not be reversed.

We did not identify any impairment of goodwill or tangible assets in 2011 and 2010 (see notes 13 and 12, respectively, to our audited consolidated financial statements). In 2009, we recorded R$819 million of provision for impairment losses on contracts for providing banking services. See note 14 to our audited consolidated financial statements.

Post-employment Benefits

We have undertaken to supplement the public social security system benefits accruing to certain employees, and to their beneficiary right holders, for retirement, permanent disability or death.

Our post-employment obligations to our employees are deemed to be "defined contribution plans" when we make pre-determined contributions to a separate entity and will have no legal or effective obligation to make further contributions if the separate entity cannot pay the employee benefits relating to the service rendered in the current and prior periods. Post-employment obligations that do not meet the aforementioned conditions are classified as “defined benefit plans”.

Defined contribution plans

The contributions made each year in connection to defined contribution plans are recognized under “Personnel expenses” in the consolidated income statement. The amounts not yet contributed at each year-end are recognized, at their present value, under “Provisions - Provisions for pensions and similar obligations” on the liability side of the consolidated balance sheet.

Defined benefit plans

The Bank recognizes under “Provisions – Provisions for pensions and similar obligations”, on the liability side of the consolidated balance sheet (or under “Other assets” on the asset side, as appropriate), the present value of its defined benefit post-employment obligations, net of the fair value of the plan assets and of the net unrecognized cumulative actuarial gains and/or losses disclosed in the valuation of these obligations, which are deferred using a corridor approach, and net of the past service cost, which is deferred over time.

The actuarial valuation is dependent upon a series of assumptions; the principal ones are set forth below:

- assumed interest rates;
- mortality tables;
- annual social security pension revision rate;
- price inflation;
- annual salary growth rate, and
- the method used to calculate vested commitments to current employees.

The difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date, adjusted for any historic unrecognized actuarial gains or losses and past service cost, is recognized as a liability in the balance sheet.

Further information on retirement benefit obligations is set out in notes 2 and 22 to our consolidated financial statements.

Results of Operations

We are a financial group whose main business focus is commercial banking, complemented by global wholesale banking, asset management and insurance brokerage businesses.

Our main source of income is the interest that we earn from our lending activities, by borrowing funds from customers at certain rates and lending them to other customers at different rates. We also derive income from the interest and dividends that we receive from our investments in fixed/variable income and equity securities, from our trading activities in such securities and derivatives, by buying and selling these instruments to take advantage of current and/or expected differences between purchase and sale prices, and from entering into derivative transactions with customers on which we hedge our market risk exposure and earn a spread.

Another source of income is the fees and commissions that we earn from the different banking and other financial services that we provide, including credit and debit cards, insurance sales, account management, bill discounting, guarantees, advisory and custody services, and from our mutual and pension fund management services.

In addition, from time to time, we derive income from the capital gains we make from the sale of our holdings in group companies.

Results of Operations for the year ended December 31, 2011 Compared to the year ended December 31, 2010

	For the Year ended December 31,			
	2011	**2010**	**% Change**	**Change**
	(in millions of R$, except percentages)			
Net interest income	27,902	24,095	15.8%	3,807
Income from equity instruments	94	52	81.2%	42
Income from companies accounted for by the equity method	54	44	23.4%	10
Net fee and commissions	7,339	6,836	7.4%	503
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	(235)	1,875	(112.5)%	(2,110)
Other operating income (expenses)	(379)	(348)	9.2%	(31)
Total income	**34,775**	**32,553**	**6.8%**	**2,222**
Administrative expenses	(12,373)	(11,231)	10.2%	(1,142)
Depreciation and amortization	(1,462)	(1,237)	18.2%	(225)
Provisions (net)	(3,061)	(1,974)	55.1%	(1,087)
Impairment losses on financial assets (net):	(9,382)	(8,234)	14.0%	(1,148)
Impairment losses on other assets (net)	(39)	(21)	85.7%	(18)
Other non-financial gains/losses	452	140	n.a.	312
Profit before tax	**8,911**	**9,997**	**(10.9)%**	**(1,086)**
Income taxes	(1,155)	(2,614)	(55.8)%	1,459
Net income	**7,756**	**7,383**	**5.1%**	**373**

Summary

For the year ended December 31, 2011, we reported net profit of R$7.8 billion, a 5.1% increase as compared to 2010. Total revenues in 2011 were R$34.8 billion, a 6.8% increase from R$32.6 billion in 2010, mainly driven by an increase in net interest income. Administrative expenses increased by 10.2% for the year ended December 31, 2011 as compared to the year ended December 31, 2010.

Our total loan portfolio increased by 20.9% from R$161.0 billion on December 31, 2010 to R$194.2 billion on December 31, 2011, with the largest increases in loans to individuals and SMEs. Total deposits increased by 7.4% from R$210.3 billion on December 31, 2010 to R$226.0 billion on December 31, 2011. Our delinquency ratio in December 2011 was 6.7%, as compared to 5.8% in December 2010. Our BIS ratio at December 31, 2011 was 19.9% (disregarding the effect of goodwill).

Net income for the year ended December 31, 2011 was R$7.8 billion, a 5.1%, or R$373 million, increase from R$7.4 billion for the year ended December 31, 2010. This increase was mainly due to:

- A 15.8 %, or R$3.8 billion, increase in net interest income for the year ended December 31, 2011 compared to the year ended December 31, 2010, mainly due to an increase of R$3.4 billion in revenues from lending activities, driven by loans to individuals and SME customers.

- An increase of 7.4%, or R$503 million, in net fee and commissions income for the year ended December 31, 2011 as compared to the year ended December 31 2010. This increase was primarily driven by a growth in commissions from sales of insurance and capitalization products and commissions from credit and debit cards in the same period.

- A decline of R$1,459 million in income tax expenses in the year ended December 31, 2011, compared to the year ended December 31, 2010. In the year ended December 31, 2011, the effect of the appreciation of the dollar against the *real* on the net equity of our Grand Cayman Branch, and the negative hedge results, caused lower tax expenses of R$1,646 million, compared to higher tax expenses of R$272 million in 2010. See "Other Factors Affecting Financial Condition and Results of Operations – Cayman Offshore Hedging". Disregarding these effects, tax expenses were R$2,801 million and R$2,342 million, respectively, for 2011 and 2010 due to lower goodwill tax amortizations (other than Banco Real) and to lower interest on capital.

These increases were partially offset by:

- A R$2.1 billion decrease in gains (losses) on financial assets and liabilities (net) plus exchange differences amounting to a loss of R$235 million in the year ended December 31, 2011 compared to gains of R$1.9 billion in the year ended December 31, 2010. The decrease was mainly due to the effect of the appreciation of the U.S. dollar against the *real* on the net equity of our Grand Cayman Branch. For the year ended December 31, 2011, the hedging result totaled net losses of R$1,646 million, offset by net gains in the same amount in tax expenses, compared to gains of R$272 million in 2010, offset by losses in the same amount in tax expenses. This hedge position, composed of derivatives, was established to mitigate the exchange rate variation and the effects of offshore investments on our net profit. Excluding the effects of the hedging results of our Grand Cayman Branch, gains (losses) on financial assets and liabilities (net) and exchange differences (net) for the year ended December 31, 2011 totaled net gains of R$1,412 million, a R$192 million decrease from gains of R$1,603 million for the year ended December 31, 2010. This variation is partially explained by the early redemption of certain debt at a discount (which resulted in a gain of R$64 million in January 2010 and which did not recur in 2011), lower results of R$17 million from hedge operations, and lower results of R$111 million from derivatives transactions with customers and others.

- An increase of 10.2% or R$1.1 billion in administrative expenses for the year ended December 31, 2011 compared to the year ended December 31, 2010, mainly due to labor cost increases tied to inflation and the expansion of our branch network, with the addition of 154 new branches in 2011.

- An increase in impairment losses on financial assets (net) of R$1,148 million for the year ended December 31, 2011 compared to the year ended December 31, 2010, principally due to an increase in the delinquency ratio.

- An increase in provisions expenses of R$1,087 million for the year ended December 31, 2011 compared to the year ended December 31, 2010, mainly due to an increase in provisions for labor claims and tax litigations, partially offset by a decrease in civil claims. Provisions for labor claims increased R$648.7 million in 2011, primarily due to our efforts during the fourth quarter to accelerate the settlement of outstanding labor claims to reduce the volume of open claims. Concurrently, we have been implementing measures to reduce the level of new labor disputes with new controls on labor outsourcing, among other measures.

Net Interest Income

Net interest income for the year ended December 31, 2011 was R$27,902 million, a 15.8%, or R$3,807 million, increase from R$24,095 million for the year ended December 31, 2010. Revenues from lending activities increased R$3,365 million or 19.1% during the year due to a 19.6% or R$28,118 million increase in the average credit portfolio volume, driven by increased lending to individuals and SME customers. For further information on our loan portfolio, see "Selected Statistical Information – Loan Portfolio".

Average total earning assets in 2011 were R$323.7 billion, a 18% or R$48.4 billion increase from R$275.2 billion in 2010. The principal drivers of this increase were (1) an increase of R$26.0 billion in average of loans and advances to customers, (2) an increase of R$17.7 billion in average of cash and balances with the Brazilian Central Bank and (3) an increase of R$10.9 billion in average of debt instruments. Net yield (the quotient of net interest income divided by average earning assets) was 8.62% in 2011, a decrease of 0.13 percentage points compared to 8.75% in 2010.

Average total interest bearing liabilities in 2011 were R$244.4 billion, a 23% or R$46.0 billion increase from R$198.5 billion in 2010. The main drivers of this growth were a 1.1 percentage point increase in customer deposits, a 1.3 percentage point increase in marketable debt securities and a 1.8 percentage point increase in subordinated debt.

Finally, the yield spread (the difference between gross yield on earning assets and the average cost of interest-bearing liabilities) in 2010 was 6.4%, 0.1 percentage points higher than in 2011, which was 6.3%, or practically stable compared to 2010.

Income from Equity Instruments

Income from Equity Instruments for the year ended December 31, 2011 reached R$94.0 million, a 81.2% or R$42.0 million increase from R$52.0 million for the same period in 2010. This increase was mainly due to higher results from available-for-sale financial assets during the year.

Income from companies accounted for by the equity method

Income from companies accounted for by the equity method for the year ended December 31, 2011 was R$54 million, a R$10 million increase from R$44 million for the year ended December 31, 2010. This increase principally reflects a growth in the results of Companhia de Arrendamento Mercantil RCI Brasil and of Companhia de Crédito, Financiamento e Investimento RCI Brasil.

Net Fees and Commission Income

Net fee and commission income for the year ended December 31, 2011 reached R$7,339 million, a 7.4%, or R$503 million, increase from R$6,836 million for the year ended December 31, 2010. This increase was mainly due to an increase in commissions from sales of insurance and capitalization products and commissions from credit and debit cards.

Commissions from sales of insurance and capitalization products amounted to R$1,560 million for the year ended December 31, 2011, a 26.8% increase compared to the year ended December 31, 2010, representing 21.3% of total commissions during the period. This variation is explained by the growth of life insurance products linked to credit, and the change in the effective term of life and personal accident premiums, which in 2011 ceased to be renewed on a monthly basis and began to be renewed on an annual basis.

Revenues from credit and debit cards totaled R$1,298 million for the year ended December 31, 2011, an increase of 33.9% compared to the year ended December 31, 2010. This increase was primarily due to the increase in fees as a result of the growth of our merchant acquisition business and the adoption of a strategy based on innovation and a focus on customer needs, resulting in an increase in our credit card base and in product penetration. In 2011, credit card transaction volume increased 11.2% compared to 2010, and total financial transaction volume increased 11.3% compared to 2010. Our credit card base increased 8.2% in 2011 and our debit card base increased 13.4% in 2011 reaching a total amount of 29.3 million issued cards.

The following table reflects the breakdown of net fee and commission income for the year ended December 31, 2011 and 2010.

	For the year ended December 31,			
	2011	**2010**	**% Change**	**Change**
	(in millions of R$, except percentages)			
Banking fees	2,465	2,369	4.0%	96
Receiving Services	515	506	1.8%	9
Insurance and Capitalization	1,560	1,230	26.8%	330
Asset Management and Pension Funds	1,204	1,132	6.4%	72
Credit and debit cards	1,298	969	33.9%	329
Capital markets	419	502	(16.6)%	(83)
Trade finance	400	456	(12.3)%	(56)
Tax on services	(364)	(357)	2.1%	(7)
Others	(158)	27	n.a.	(185)
Total	**7,339**	**6,836**	**7.4%**	**503**

Gains/ Losses on Financial Assets and Liabilities (Net) plus Exchange Differences

Gains/losses on financial assets and liabilities (net) plus exchange differences for the year ended December 31, 2011 were losses of R$235 million, a R$2,110 million decrease from gains of R$1,875 million for the year ended December 31, 2010. The decrease was mainly due to the effect of the appreciation of the U.S. dollar against the *real* on the net equity of our Grand Cayman Branch. In the year ended December 31, 2011, the hedging result totaled losses of R$1,646 million offset by gains in the same amount in tax expenses, compared to gains of R$272 million in 2010, offset by losses in the same amount in tax expenses. A hedge position, composed of derivatives, was established to mitigate the exchange rate variation and the effects of offshore investments on our net profit. Excluding the effects of the hedging results of our Grand Cayman Branch, gains/losses on financial assets and liabilities (net) plus exchange differences for the year ended December 31, 2011 totaled gains of R$1,412 million, a R$192 million decrease from gains of R$1,603 million for the year ended December 31, 2010. This variation is explained by the early redemption of certain debt at a discount, which resulted in a gain of R$64 million in January 2010 and which did not recur in 2011, lower results of R$17 million from hedge operations, and lower results of R$111 million from derivatives transactions with customers and others.

Other Operating Income (Expenses)

Other operating income/expenses for the year ended December 31, 2011 was an expense of R$379 million, an increase of R$31 million compared to an expense of R$348 million for the year ended December 31, 2010.

Administrative Expenses

Administrative Expenses for the year ended December 31, 2011 were R$12,373 million, a R$1,142 million increase compared to expenses of R$11,231 million for the year ended December 31, 2010, mainly due to labor cost increases tied to inflation, and the expansion of our branch network, with the addition of 154 new branches in 2011.

Salaries, benefits and social security expenses increased R$632 million in 2011 due principally to the recruitment of employees and to the impact of salary increases tied to inflation under our collective bargaining agreement. This agreement requires certain adjustments in fixed and variable income, linked to the official consumer price inflation index (IPCA).

The following table sets forth personnel expenses for each of the periods indicated:

	For the year ended December 31,			
	2011	**2010**	**% Change**	**Change**
	(in millions of R$, except percentages)			
Salaries	4,192	3,731	12.3%	461
Social security	1,092	994	9.9%	98
Benefits	866	792	9.3%	74
Training	116	93	24.7%	23
Others	378	316	20.1%	62
Total	**6,644**	**5,926**	**12.1%**	**718**

Other administrative expenses increased R$425 million from R$5,304 million for the year ended December 31, 2010 to R$5,729 million for the year ended December 31, 2011. The increase was primarily due to contractual readjustments (contracts linked to inflation), new points of sale, a growth in our customer base, which generally leads to increased spending on infrastructure and services, and an increase in costs for advertising and marketing campaigns.

The efficiency ratio, which we calculate as total administrative expenses divided by total income, reached 35.6% in the year ended December 31, 2011, as compared to 34.5% for the year ended December 31, 2010.

The following table sets forth other administrative expenses for each of the periods indicated:

	For the year ended December 31,			
	2011	2010	% Change	Change
	(in millions of R$, except percentages)			
Specialized and technical services	1,564	1,504	4.0%	60
Property, fixtures and supplies	1,087	966	12.6%	121
Technology and systems	1,006	889	13.2%	117
Advertising	493	422	16.9%	71
Communications	566	555	2.0%	11
Per diems and travel expenses	174	151	15.4%	23
Surveillance and cash courier services	521	513	1.6%	8
Other administrative expenses	316	304	3.9%	12
Total	**5,729**	**5,304**	**8.0%**	**425**

Depreciation and amortization

Depreciation and amortization for the year ended December 31, 2011 were expenses of R$1,462 million, a R$225 million increase from R$1,237 million for the year ended December 31, 2010, principally due to the initial amortization of our technological systems related to the integration process and branch network expansion.

Provisions (Net)

Provisions principally include provisions for tax, civil, and especially labor claims. Provisions (net) totaled R$3,061 million for the year ended December 31, 2011, an increase of R$1,087 million compared to R$1,974 million for the year ended December 31, 2010. This increase was mainly due to an increase in provisions for labor and tax litigation partially offset by a decrease in civil claims. Provisions for labor claims increased R$648.7 million in 2011, primarily due to our efforts during the fourth quarter to accelerate the settlement of outstanding labor claims in an effort to reduce the volume of open claims. Concurrently, we have been implementing measures to reduce the level of new labor disputes with new controls on labor outsourcing among other measures.

Impairment Losses on Financial Assets (Net)

Our computable credit risk portfolio increased by R$33,635 million in the year ended December 31, 2011, or 18.4%, compared to the year ended December 31, 2010, while non-performing assets increased 39.8%, or R$3,724 million. The default rate increased 91 basis points in 2011. Net expenses from allowances for credit losses related to leasing transactions was adjusted for R$550 million due to a reclassification related to the unification of the accounting procedures of leasing transactions made during the integration representing an increase of 6.8%, or R$598 million, from R$8,783 million on December 31, 2010 to R$9,382 million on December 31, 2011.

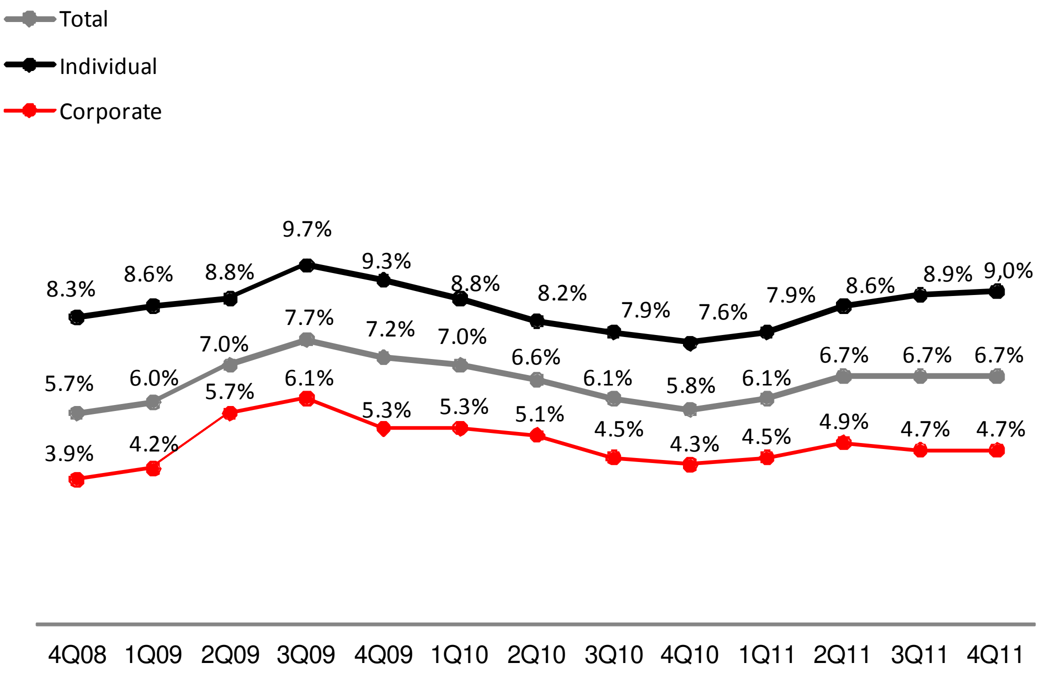
The following table shows the ratio of our impaired assets to total computable credit risk and our coverage ratio at December 31, 2011 and at December 31, 2010.

	At December 31,	
	2011	2010
	(in millions of R$, except percentages)	
Computable credit risk (1)	216,756	183,121
Nonperforming assets	13,073	9,348
Allowances for nonperforming assets	11,180	9,192
Ratios		
Nonperforming assets to computable credit risk	6.0%	5.1%
Coverage ratio (2)	85.5%	98.3%

(1) Computable credit risk is the sum of the face amounts of loans and leases (including nonperforming assets but excluding country risk loans), guarantees and documentary credits.

(2) Allowances for credit losses as a percentage of nonperforming assets.

The following chart shows the ratio of our non-performing assets to credit risk (not including guarantees and documentary credits) from the fourth quarter of 2008 through the fourth quarter of 2011:



(1) Managerial non-performing assets computable credit risk.

The following table shows our nonperforming assets by type of loan at December 31, 2011 and December 31, 2010.

Impaired Assets by Type of Customer

	At December 31,	
	2011	**2010**
	(in millions of R$)	
Commercial, financial and industrial	4,775	3,563
Real estate – mortgage	172	150
Installment loans to individuals	7,720	4,863
Lease financing	406	772
Total	**13,073**	**9,348**

Non-performing assets as a percentage of shareholders’ equity increased from 13.0% as of December 31, 2010 to 17.0% as of December 31, 2011. Non-performing assets as a percentage of shareholders’ equity excluding goodwill increased from 21.1% as of December 31, 2010 to 26.2% as of December 31, 2011. This figure was adversely influenced by an increase in Brazilian interest rates, inflation and macroprudential economic policies, which directly affected the individuals segment of the banking system, mainly the consumption portfolio.

Commercial, financial and industrial

Non-performing assets in commercial, financial and industrial loans on December 31, 2011 increased R$1,212 million, or 34.0%, compared to December 31, 2010. Commercial, financial and industrial credit portfolio increased by 21%, therefore, the increase on non-performing assets was expected. Furthermore, this increase was in line with market trends.

Real estate – mortgage

Non-performing assets in real estate – mortgage loans increased R$22 million, or 14.5%, at December 31, 2011, compared to December 31, 2010. In light of the increase in this credit portfolio, an increase in non-performing assets was expected. The percentage of non-performing assets over our total portfolio improved from 2.2% in 2010 to 1.7% in 2011.

Installment loans to individuals

Non-performing assets in installment loans to individuals increased R$ 2,856 million, or 58.7%, at December 31, 2011 compared to December 31, 2010. This figure was adversely influenced by an increase in Brazilian interest rates, inflation, and certain measures implemented by the Brazilian Central Bank to control consumer credit, which directly affected the individuals segment of the banking system, mainly the consumer lending portfolio.

Lease financing

Non-performing loans in lease financing decreased R$366 million, or 47.4%, in the year ended December 31, 2011 compared to the year ended December 31, 2010, mainly due to a decrease in lending in this category, in line with market trends.

Impairment Losses on Other Assets (Net)

Impairment losses on other assets (net) for the year ended December 31, 2011 were losses of R$39 million, a R$18 million increase from losses of R$21 million for the year ended December 31, 2010, mainly due to lower provisions related to noncurrent assets.

Other non-financial gains/losses

Other non-financial gains/losses were gains of R$452 million during the year ended December 31, 2011, a R$312 million increase from gains of R$140 million during the year ended December 31, 2010. This increase was mainly due to R$424 million in gains related to the sale of Santander Seguros to ZS Insurance. This increase was partially offset by a R$107 million non-operating gain in March 2010, resulting from the sale of a former headquarters building.

Income Tax

Income tax expenses reached R$1,155 million in the year ended December 31, 2011, a R$1,459 million decrease from R$2,614 million in the year ended December 31, 2010. The appreciation of the U.S. dollar against the *real* on the net equity of our Grand Cayman Branch, and the negative hedge results, caused lower tax expenses of R$1,646 million in the year ended December 31, 2011, compared to higher tax expenses of R$272 million in 2010. See "- Other Factors Affecting Financial Condition and Results of Operations – Cayman Offshore Hedging". Disregarding these effects, tax expenses were R$2,801 million and R$2,342 million for 2011 and 2010, respectively, which increase is due to lower goodwill tax amortizations (other than Banco Real), and to lower interest on capital.

Results of Operations by Segment for the Year ended December 31, 2011 Compared to the Year ended December 31, 2010

The following table presents an overview of certain income statement data for each of our operating segments for the year ended December 31, 2011.

	For the year ended December 31, 2011						
	Commercial Banking	% of Total	Global Wholesale Banking	% of Total	Asset Manageme nt and Insurance	% of Total	Total
	(millions of R$, except percentages) (condensed income statement)						
Net interest income	24,971	89.5%	2,589	9.3%	342	1.2%	27,902
Income from equity instruments	94	100.0%	0	0.0%	0	0.0%	94
Income from companies accounted for by the equity method	54	100.0%	0	0.0%	0	0.0%	54
Net fee and commission income	6,192	84.4%	796	10.8%	351	4.8%	7,339
Gains/losses on financial assets and liabilities and exchange differences (net)	(753)	n.a.	513	(217.6)%	5	(2.2)%	(235)
Other operating income/expenses	(695)	n.a.	(29)	7.7%	345	n.a.	(379)
Personnel expenses	(6,031)	90.8%	(526)	7.9%	(87)	1.3%	(6,644)
Other administrative expenses	(5,431)	94.8%	(242)	4.2%	(56)	1.0%	(5,729)
Depreciation and amortization	(1,331)	91.1%	(106)	7.2%	(25)	1.7%	(1,462)
Provisions (net)	(3,024)	98.8%	3	(0.1)%	(40)	1.3%	(3,061)
Impairment losses on financial assets (net)	(9,334)	99.5%	(47)	(0.5)%	0	0.0%	(9,382)
Impairment losses on other assets (net)	(34)	87.8%	(5)	12.2%	0	0.0%	(39)
Other non financial gain (losses)	452	100.0%	0	0.0%	0	0.0%	452
Profit before tax	**5,128**	**57.5%**	**2,947**	**33.0%**	**835**	**9.4%**	**8,911**

The following tables show our results of operations for the year ended December 31, 2011 and 2010, for each of our operating segments.

Commercial Banking	For the year ended December 31,			
	2011	2010	% Change	Change
	(in millions of R$, except percentages)			
Net interest income	24,971	21,301	17.2%	3,670
Income from equity instruments	94	52	81.2%	42
Income from companies accounted for by the equity method	54	44	23.4%	10
Net fee and commission income	6,192	5,530	12.0%	662
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	(753)	1,550	(148.6)%	(2,303)
Other operating income/expenses	(695)	(596)	16.6%	(99)
Total income	**29,863**	**27,881**	**7.1%**	**1,982**
Personnel expenses	(6,031)	(5,354)	12.7%	(677)
Other administrative expenses	(5,431)	(5,003)	8.6%	(428)
Depreciation and amortization	(1,331)	(1,130)	17.8%	(201)
Provisions (net)	(3,024)	(1,941)	55.8%	(1,083)
Impairment losses on financial assets (net)	(9,334)	(8,225)	13.5%	(1,109)
Impairment losses on other assets (net)	(34)	(21)	63.8%	(13)
Other non financial gain (losses)	452	140	n.a.	312
Profit before tax	**5,128**	**6,347**	**(19.2)%**	**(1,219)**

Global Wholesale Banking

	For the year ended December 31,			
	2011	**2010**	**% Change**	**Change**
	(in millions of R$, except percentages)			
Net interest income	2,589	2,501	3.5%	88
Net fee and commission income	796	892	(10.8)%	(96)
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	513	244	109.9%	269
Other operating income/expenses	(29)	(30)	(2.3)%	1
Total income	**3,869**	**3,607**	**7.2%**	**262**
Personnel expenses	(526)	(512)	2.6%	(14)
Other administrative expenses	(242)	(215)	12.3%	(27)
Depreciation and amortization	(106)	(58)	83.3%	(48)
Provisions (net)	3	4	(25.0)%	(1)
Impairment losses on financial assets (net)	(47)	(8)	n.a.	(39)
Impairment losses on other assets (net)	(5)	0	n.a.	(5)
Profit before tax	**2,947**	**2,818**	**4.6%**	**129**

Asset Management and Insurance

	For the year ended December 31,			
	2011	**2010**	**% Change**	**Change**
	(in millions of R$, except percentages)			
Net interest income	342	292	16.7%	50
Net fee and commission income	351	414	(15.2)%	(63)
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	5	80	(93.6)%	(75)
Other operating income/expenses	345	278	24.1%	67
Total income	**1,043**	**1,065**	**(2.1)%**	**(22)**
Personnel expenses	(87)	(60)	44.7%	(27)
Other administrative expenses	(56)	(86)	(35.1)%	30
Depreciation and amortization	(25)	(50)	(49.8)%	25
Provisions (net)	(40)	(38)	6.8%	(2)
Profit before tax	**835**	**832**	**0.4%**	**3**

Commercial Banking Segment Consolidated Results of Operations for the Year ended December 31, 2011 Compared to the Year ended December 31, 2010

Summary

Profit before tax attributed to the Commercial Banking segment for the year ended December 31, 2011 was R$5,128 million, a R$1,219 million decrease from R$6,347 million for the year ended December 31, 2010. Excluding the effects of the hedging results of our Grand Cayman Branch, our profit before tax attributed to the Commercial Banking segment for the year ended December 31, 2011 totaled R$6.8 billion, a R$700 million increase from R$6.1 billion for the year ended December 31, 2010. This variation was mainly due to:

- An increase of 17.2%, or R$3,670 million, in net interest income for the year ended December 31, 2011 compared to the year ended December 31, 2010, mainly due to growth of R$3.4 billion in revenues from lending activities, driven by lending to individuals and SME customers.

- An increase of 12.0%, or R$662 million, in net fee and commission income for the year ended December 31, 2011 compared to the year ended December 31, 2010, principally due to (1) an increase in revenues from credit and debit cards which mainly reflects the increase in fees from our merchant acquisition business, and also the adoption of a strategy based on innovation and a focus on customer needs, resulting in an increase in the card base and in product penetration, (2) an increase in the commissions from sales of insurance and capitalization products paid by our insurance business to the Commercial Banking segment and (3) the change of the effective term of life and personal accident premiums, which in 2011 ceased to be renewed on a monthly basis and began to be renewed on an annual basis.

These increases were partially offset by:

- A R$2,303 million decrease in gains (losses) on financial assets and liabilities (net) plus exchange differences to a loss of R$753 million in the year ended December 31, 2011 compared to gains of R$1,550 million in the year ended December 31, 2010. The decrease was mainly due to the effect of the appreciation of the U.S. dollar against the *real* on the net equity of our Grand Cayman Branch. In the year ended December 31, 2011, the hedging result totaled losses of R$1,646 million, which were offset by net gains in the same amount in tax expenses, compared to gains of R$272 million in 2010. A hedge position, composed of derivatives, was established to mitigate the exchange rate variation and the effects of offshore investments on our net profit. Excluding the effects of the hedging results of our Grand Cayman Branch, gains (losses) on financial assets and liabilities (net) plus exchange differences for the Commercial Banking segment for the year ended December 31, 2011 totaled gains of R$893 million, a R$385 million decrease from gains of R$1,278 million for the year ended December 31, 2010. This variation is partially explained by the liquidation of a R$64 million subordinated liability in January 2010, which did not occur in 2011, lower results of R$17 million from hedge operations and lower results of R$305 million from derivatives transactions with customers and others.

- A 12.7%, or R$677 million, increase in personnel expenses in the year ended December 31, 2011 as compared to the year ended December 31, 2010, mainly due to the recruitment of employees for our new branches and the impact of our collective bargaining agreement. This agreement requires certain adjustments in fixed and variable income, linked to the official consumer price inflation index (IPCA).

Net Interest Income

Net interest income for the Commercial Banking segment for the year ended December 31, 2011 reached R$24,971 million, a 17.2%, or R$3,670 million, increase from R$21,301 million for the year ended December 31, 2010. Revenues from lending activities increased R$3,365 million due to a 19.6%, or R$28,118 million, growth in the average credit portfolio volume in 2011, driven by lending to individuals and SME customers.

Income from Equity Instruments

Income from Equity Instruments for the year ended December 31, 2011 reached R$94.0 million, a 81.2% or R$42.0 million increase from R$52.0 million for the same period in 2010. This increase was mainly due to higher results from available-for-sale financial assets over the year.

Income from Companies Accounted by the Equity Method

Income from companies accounted for by the equity method for the Commercial Banking segment for the year ended December 31, 2011 was R$54 million, a R$10 million increase from R$44 million for the year ended December 31, 2010. This increase principally reflects a growth in the results of Companhia de Arrendamento Mercantil RCI Brasil and of Companhia de Crédito, Financiamento e Investimento RCI Brasil.

Net Fee and Commission Income

Net fee and commission income for the Commercial Banking segment for the year ended December 31, 2011 reached R$6,192 million, a 12.0%, or R$662 million, increase from R$5,530 million for the year ended December 31, 2010.

Revenues from credit and debit cards totaled R$1,298 million in the year ended December 31, 2011, an increase of 34.0% compared to the year ended December 31, 2010. This performance reflects the increase in fees from the merchant acquisition business and the adoption of a strategy based on innovation and a focus on customer needs, resulting in an increase in our credit card base and in product penetration. In 2011, credit card transaction volume increased 11.2% compared to 2010, and total financial transaction volume increased 11.3% compared to 2010. Our credit card base increased 8.2% in 2011 and our debit card base increased 13.4% in 2011 reaching a total amount of 29.3 million issued cards.

The increase was also due to:

- An increase in the commissions from insurance and capitalization products paid by our insurance business to the Commercial Banking segment; and

- The change of the effective term of life and personal accident premiums, which in 2011 ceased to be renewed on a monthly basis and began to be renewed on an annual basis.

Gains/ Losses on Financial Assets and Liabilities plus Exchange Differences

Gains on financial assets and liabilities (net) plus exchange differences for the Commercial Banking segment for the year ended December 31, 2011 were losses of R$753 million, a R$2,303 million decrease from gains of R$1,550 million for the year ended December 31, 2010. The decrease was mainly due to the effect of the appreciation of the U.S. dollar against the *real* on the net equity of our Grand Cayman Branch. In the year ended December 31, 2011, the hedging result totaled losses of R$1,646 million, offset by gains in the same amount in tax expenses, compared to gains of R$272 million in 2010, offset by losses in the same amount in tax expenses. This hedge position, composed of derivatives, was set up to mitigate the exchange rate variation and the effects of offshore investments on our net profit. Excluding the effects of the hedging results of our Grand Cayman Branch, gains/losses on financial assets and liabilities (net) plus exchange differences for the Commercial Banking segment for the year ended December 31, 2011 totaled gains of R$893 million, a R$385 million decrease from gains of R$1,278 million for the year ended December 31, 2010. This decrease was due to the liquidation of a R$64 million subordinated liability in January 2010, which did not occur in 2011, lower results of R$17 million from hedge operations and lower results of R$305 million from derivatives transactions with customers and others.

Other Operating Income/ (Expenses)

Other operating expenses for the Commercial Banking segment for the year ended December 31, 2011 totaled expenses of R$695 million, a 16.6% increase when compared to expenses of R$596 million for the year ended December 31, 2010.

Personnel Expenses

Personnel expenses for the Commercial Banking segment increased from R$5,354 million for the year ended December 31, 2010 to R$6,031 million for the year ended December 31, 2011, a 12.7%, or R$677 million, increase, mainly due to the recruitment of employees primarily for the expanded branch network and the impact of our collective bargaining agreement. This agreement requires certain adjustments in fixed and variable compensation, linked to the official consumer price inflation index (IPCA).

Other Administrative Expenses

Other administrative expenses for the Commercial Banking segment increased from R$5,003 million for the year ended December 31, 2010 to R$5,431 million for the year ended December 31, 2011, an 8.6%, or R$428 million, increase, primarily due to contractual readjustments for contracts tied to inflation, opening new points of sale and growth in our customer base, which generally leads to increased spending on infrastructure and services and an increase in costs for advertising and marketing campaigns.

Depreciation and amortization

Depreciation and amortization for the Commercial Banking segment for the year ended December 31, 2011 was R$1,331 million, a R$201 million increase from R$1,130 million for the year ended December 31, 2010, principally due to the initial amortization of our technological systems related to the integration process and branch network expansion.

Provisions (Net)

Provisions (net) for the Commercial Banking segment were expenses of R$3,024 million for the year ended December 31, 2011, an increase of R$1,083 million compared to expenses of R$1,941 million for the year ended December 31, 2010. During the year ended December 31, 2011, this increase was mainly due to an increase in provisions for labor and tax litigation, partially offset by a decrease in civil claims. Provisions for labor claims increased R$648.7 million in 2011, primarily due to our efforts during the fourth quarter to accelerate the rate of settlement of outstanding labor claims in an effort to reduce the volume of open claims. In concert with our increased settlement rate, we have been implementing measures to reduce the level of new labor disputes with new controls over labor outsourcing, among other measures.

Impairment Losses on Financial Assets (Net)

Impairment losses on financial assets (net) for the Commercial Banking segment for the year ended December 31, 2011 reached R$9,334 million, a 13.5%, or R$1,109 million, increase from expenses of R$8,225 million for the year ended December 31, 2010, principally due to an increase in the delinquency ratio.

Impairment Losses on Other Assets (Net)

Impairment losses on other assets (net) for the Commercial Banking segment for the year ended December 31, 2011 were losses of R$34 million, a R$13 million increase from losses of R$21 million for the year ended December 31, 2010, mainly due to higher provisions related to noncurrent assets.

Other non-financial gains/losses

Other non-financial gains/losses were gains of R$452 million during the year ended December 31, 2011, a R$312 million increase from gains of R$140 million during the year ended December 31, 2010. The increase is mainly due to R$424 million in gains related to the sale of Santander Seguros to ZS Insurance. This increase was partially offset by a R$107 million non-operating gain in March 2010 resulting from the sale of a former headquarters building.

Global Wholesale Banking Consolidated Results of Operations for the Year ended December 31, 2011 Compared to the Year ended December 31, 2010

Summary

Profit before tax attributed to the Global Wholesale Banking segment for the year ended December 31, 2011 was R$2.9 billion, a 4.6%, or R$129 million, increase from R$2.8 billion for the year ended December 31, 2010.

The increase was principally due to:

- A 3.5%, or R$88 million, increase in net interest income in the year ended December 31, 2011 as compared to the year ended December 31, 2010, due to an increase in revenues from loans and public bonds; and

- A R$269 million increase in gains on financial assets and liabilities (net) and Exchange Differences in the year ended December 31, 2011 compared to the year ended December 31, 2010, mainly due to higher gains in market making and trading, which were partially offset by a decrease in the amount of derivatives transactions with customers.

The increase was partially offset by:

- A R$96 million decrease in net fee and commission income in the year ended December 31, 2011 as compared to the year ended December 31, 2010, mainly due to a decrease in commissions from capital markets and trade finance operations driven by lower activity in these segments in 2011 compared to 2010.

- A R$39 million increase in impairment losses on financial assets (net) in the year ended December 31, 2011, mainly due to higher provisions in 2011.

- A 12.3%, or R$27 million, increase in other administrative expenses in the year ended December 31, 2011 as compared to 2010, mainly due to an increase in technology costs.

- A R$48 million increase in depreciation and amortization in the year ended December 31, 2011 compared to the year ended December 2010, principally due to the amortization of technological systems and other non-technological assets that were classified as tangible assets.

Net Interest Income

Net interest income for the Global Wholesale Banking segment for the year ended December 31, 2011 reached R$2,589 million, a 3.5%, or R$88 million, increase from R$2,501 million for the year ended December 31, 2010, as a result of a growth in revenues from loans and public bonds.

Net Fee and Commission Income

Net fee and commission income for the Global Wholesale Banking segment for the year ended December 31, 2011 was R$796 million, a 10.8%, or R$96 million, decrease from R$892 million for the year ended December 31, 2010. This variation was mainly due to a decrease in commissions from capital markets and trade finance operations.

Gains/Losses on Financial Assets and Liabilities and Exchange Differences

Gains/losses on financial assets and liabilities (net) plus exchange differences for the Global Wholesale Banking segment for the year ended December 31, 2011 were gains of R$513 million, a R$269 million increase from gains of R$244 million for the year ended December 31, 2010. This increase was mainly due to higher gains in market making and trading, which were partially offset by a decrease in the amount of derivatives transactions with customers.

Other Operating Income/Expenses

Other operating income/expenses for the Global Wholesale Banking segment for the year ended December 31, 2011 were expenses of R$29 million, a decrease in expenses of R$1 million when compared to the year ended December 31, 2010.

Personnel Expenses

Personnel expenses for the Global Wholesale Banking segment increased from R$512 million for the year ended December 31, 2010 to R$526 million for the year ended December 31, 2011, a 2.6% or R$14 million increase, mainly due to the recruitment of employees and the impact of salary increases under our collective bargaining agreement. This agreement requires certain adjustments in fixed and variable compensation, linked to the official consumer price inflation index (IPCA).

Other Administrative Expenses

Other administrative expenses for the Global Wholesale Banking segment increased from R$215 million for the year ended December 31, 2010 to R$242 million for the year ended December 31, 2011, a 12.3%, or R$27 million, increase, mainly due to increased technology costs.

Depreciation and Amortization

Depreciation and amortization for the Global Wholesale Banking segment for the year ended December 31, 2011 was R$106 million, a R$48 million increase from R$58 million for the year ended December 31, 2010, principally due to the amortization of technological systems and other non-technological fixed assets.

Provisions (Net)

Provisions (net) for the Global Wholesale Banking segment were income of R$3 million for the year ended December 31, 2011, which decreased R$1 million as compared to the year ended December 31, 2010.

Impairment Losses on Financial Assets (Net)

Impairment losses on financial assets (net) for the Global Wholesale Banking segment for the year ended December 31, 2011 were losses of R$47 million, a R$39 million increase from losses of R$8 million for the year ended December 31, 2010, mainly due to higher provisions in 2011.

Asset Management and Insurance Segment Consolidated Results of Operations for the Year ended December 31, 2011 Compared to the Year ended December 31, 2010

Profit before income tax attributed to the Asset Management and Insurance segment for the year ended December 31, 2011 reached R$835 million, a 0.4%, or R$3 million, increase from R$832 million for the year ended December 31, 2010. The result was affected by a decline in results during the fourth quarter of 2011 as a consequence of the sale of Santander Seguros to ZS Insurance. The main variations included:

- An increase of R$50 million in net interest income in the year ended December 31, 2011. This increase was mainly due to the impact of our line-by-line consolidation of the investment funds from capitalization resources that after January 2011 began to be allocated in the net interest income. Prior to January 2011, the results of the capitalization products were allocated in gains/losses on financial assets instead of net interest income and one of the pension funds was allocated in other operating income/expenses. The result was affected by a decline in results during the fourth quarter of 2011 as a consequence of the sale of Santander Seguros to ZS Insurance; and

- An increase of R$67 million in other operating income/expenses for the Asset Management and Insurance segment for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This increase was mainly due to an increase in revenues from insurance activities, partially offset by the impact of our line-by-line consolidation of investment funds from capitalization resources that after January 2011 began to be allocated in net interest income, in order to better demonstrate the economic characteristics of these assets.

This increase was partially offset by:

- A R$75 million decrease in gains/losses on financial assets and liabilities (net) plus exchange differences in the year ended December 31, 2011 as compared to 2010. This decrease is mainly due to the line-by-line consolidation of the investment fund from capitalization resources that are invested beginning in January 2011, in order to better demonstrate the economic characteristics of these assets. After January 2011, the results of the investment fund, mainly composed of publicly-traded securities, are allocated in net interest income instead of in gains/losses on financial assets.

Net Interest Income

Net interest income for the Asset Management and Insurance segment for the year ended December 31, 2011 was R$342 million, a R$50 million increase from R$292 million for the year ended December 31, 2010. This increase was mainly due to the impact of our line-by-line consolidation of the investment funds where the capitalization and pension funds resources that after January 2011 began to be allocated in the net interest income. Prior to January 2011, the results of the capitalization products were allocated in gains/losses on financial assets instead of net interest income. The result was affected by lower interest income during the fourth quarter of 2011 as a consequence of the sale of Santander Seguros to ZS Insurance.

Net Fee and Commission Income

Net fee and commission income for the Asset Management and Insurance segment for the year ended December 31, 2011 reached R$351 million, a 15.2%, or R$63 million decrease from R$414 million for the year ended December 31, 2010. This decrease was due to higher commissions for insurance and capitalization products paid to the Commercial Banking segment.

Gains/Losses on Financial Assets and Liabilities and Exchange Differences

Gains/losses on financial assets and liabilities (net) and exchange differences for the Asset Management and Insurance segment for the year ended December 31, 2011 were R$5 million, a R$75 million decrease from gains of R$80 million for the year ended December 31, 2010. This variation was mainly due to the line-by-line consolidation of the investment funds from capitalization resources that began to be allocated in net interest income in January 2011, in order to better demonstrate the economic characteristics of these assets. After January 2011, the results of the investment fund, mainly composed of publicly-traded securities, are allocated in net interest income instead of in gains/losses on financial assets. This decrease is also due to the sale of the Insurance segment which stopped being accounted for in the fourth quarter of 2011.

Other Operating Income/Expenses

Other operating income/expenses for the Asset Management and Insurance segment for the year ended December 31, 2011 was income of R$345 million, a R$67 million increase, compared to income of R$278 million for the year ended December 31, 2010. This increase was mainly due to an increase in revenues from insurance activities.

Personnel Expenses

Personnel expenses for the Asset Management and Insurance segment increased from R$60 million for the year ended December 31, 2010 to R$87 million for the year ended December 31, 2011, a R$27 million increase. This increase was mainly due to the impact of salary increases under our collective bargaining agreement. This agreement requires certain adjustments in fixed and variable compensation, linked to the official consumer price inflation index (IPCA).

Other Administrative Expenses

Other administrative expenses for the Asset Management and Insurance segment decreased from R$86 million for the year ended December 31, 2010 to R$56 million for the year ended December 31, 2011, a 35.1%, or R$30 million decrease.

Provisions (Net)

Provisions (net) for the Asset Management and Insurance segment were R$40 million for the year ended December 31, 2011, compared to R$38 million for the year ended December 31, 2010. This increase was mainly due to additional labor provisions.

Loan Portfolio

Our credit portfolio totaled R$194,184 million as of December 31, 2011, a 20.9% increase from December 31, 2010. Individuals and SMEs were the highlights, with increases of 24.4% and 25.6%, respectively. In the individual segment, the growth of R$12,432 million from December 31, 2010 to December 31, 2011 was driven mainly by credit cards, mortgage loans and personal loans. The highlights in the corporate and SMEs segment were working capital and real estate related products, despite a reduction in trade finance.

	At December 31,			
	2011	**2010**	**Change**	**Change**
	(in millions of R$, except percentages)			
Individuals	63,413	50,981	24.4%	12,432
Consumer Finance	30,459	26,969	12.9%	3,490
SMEs	47,940	38,178	25.6%	9,762
Corporate	52,373	44,431	17.9%	7,942
Total	**194,184**	**160,559**	**20.9%**	**33,625**

Results of Operations for the Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

	Year ended December 31, (in millions of R$)			
	2010	**2009**	**% Change**	**Change**
Net interest income	24,095	22,167	8.7%	1,928
Income from equity instruments	52	30	73.0%	22
Net fee and commissions	6,836	6,238	9.6%	598
Income from companies accounted by the equity method	44	295	(85.1%)	(251)
Gains/ losses on financial assets and liabilities (net) plus Exchange differences (net)	1,875	2,665	(29.6%)	(790)
Other operating income (expenses)	(348)	(116)	200.0%	(232)
Gross income	**32,553**	**31,280**	**4.1%**	**1,273**
Administrative expenses	(11,231)	(10,947)	2.6%	(284)
Depreciation and amortization	(1,237)	(1,249)	(0.9%)	(12)
Provisions (net)	(1,974)	(3,481)	(43.3%)	1,507
Impairment losses on financial assets (net)	(8,234)	(9,966)	(17.4%)	1,732
Impairment losses on other assets (net)	(21)	(901)	(97.7%)	880
Gains/ losses on disposal of assets not classified as noncurrent assets held for sale plus Gains/ losses on disposal of noncurrent assets held for sale	140	3,401	(95.9%)	(3,261)
Profit before tax	**9,997**	**8,137**	**22.9%**	**1,860**
Taxes	(2,614)	(2,629)	(0.6%)	15
Net income	**7,383**	**5,508**	**34.0%**	**1,875**

Summary

Net income for the year ended December 31, 2010 was R$7.4 billion, a 34%, or R$1.9 billion increase from R$5.5 billion for the year ended December, 2009. This increase was mainly due to:

- An 8.7% increase in net interest income, or R$1.9 billion, in the year ended December 31, 2010. This increase was mainly due to growth in our lending activities and the revenues from the utilization of the proceeds of our IPO in late 2009.

- A 9.6% increase in net fee and commission income, or R$598 million, in 2010. This increase was mainly due to a growth in the commissions on the sale of insurance and capitalization products and pension funds, credit and debit cards and in the investment funds segment.

- A decrease in provisions for litigations of R$1.5 billion, reflecting, mainly, provisions for restructuring costs related to the Banco Real acquisition that did occur in 2009 but not in 2010.

Net Interest Income

Santander Brasil's net interest income for the year ended December 31, 2010 was R$24.1 billion, a 8.7% or R$1.9 billion increase from R$22.2 billion for the year ended December 31, 2009. This increase was mainly due to growth in our lending activities, especially in the second semester of 2010, incorporation of the insurance business and the revenues from utilization of the proceeds of our IPO in late 2009.

Average total earning assets in 2010 were R$275.2 billion, a 20% or R$45.7 billion increase from R$229.5 billion in 2009. The principal drivers of this increase were due to (1) an increase of R$19.5 billion in average of cash and balances with the Brazilian Central Bank, (2) an increase of R$12.3 billion in debt instruments and (3) an increase of R$11.9 billion in average of equity instruments. Net yield (the quotient of net interest income divided by average earning assets) was 8.8% in 2010, a decrease of 0.9 p.p. compared to 9.7% in 2009.

Average total interest bearing liabilities in 2010 were R$198.5 billion, an 8% or R$14.1 billion increase from R$184.3 billion in 2009. The principal driver of this growth was an increase in deposits from credit institutions.

The yield spread (the difference between gross yield on earning assets and the average cost of interest-bearing liabilities), in the year ended in 2010 was 6.4%, a 1.4 p.p. decrease from 2009. The decline in yield spread reflects a reduction in the average interest rate we charge on loans because the credit risk of our portfolio declined as a result of improved economic conditions in 2010. In addition, we substantially increased the average balances of relatively low-yielding deposits with the Brazilian Central Bank in 2010.

Net Fees and Commission Income

Net fee and commission income for the year ended December 31, 2010 were R$6.8 billion, a 9.6% or R$598 million increase from R$6.2 billion for the year ended December 31, 2009. This increase was mainly due to a R$455 million growth in commissions from the sale of insurance and capitalization products (savings account products that generally require that a customer deposit a fixed sum with us) and pension funds, a R$187 million increase in commissions on credit and debit cards and a R$128 million increase in commissions from services related to investment funds, and the incorporation of the insurance business, partially offset by a decrease of R$205 million in commissions of banking fees and others.

Commissions from the sale of insurance, pension fund and capitalization products increased 43.7% from R$1.0 billion in the year ended December 31, 2009 to R$1.5 billion for the same period in 2010, and represented 22% share of total commissions, which represents a 5 p.p. increase over the year. This substantial increase is largely due to the launch of new insurance products related to loans and sales growth in properties and personal accident insurance in the Banco Real branch network.

Revenues from credit and debit cards totaled R$969 million for the year ended December 31, 2010, which represents an increase of 24.0% compared to 2009, mainly due to the expansion of our card base and the increased penetration of these products. A notable event in 2010 was the migration of Banco Real's entire card base to the Santander Brasil's system, which created opportunities for higher penetration of products and services and the implementation of best practices.

Income from services related to investment funds totaled R$865 million for the year ended December 31, 2010, an increase of 17.4% compared to the same period in 2009 as a result of the increase in the balance of assets under management in the period.

The following table reflects the breakdown of net fee and commission income for the year ended December 31, 2010 and 2009.

	Year ended December 31,			
	December 2010	December 2009	% Change	Change
	(in million of R$)			
Banking fees	2,369	2,458	(3.6%)	(89)
Receiving Services	506	502	0.8%	4
Sale of insurance plus Capitalization plus Pension Funds	1,497	1,042	43.7%	455
Investment funds	865	737	17.4%	128
Credit and debit cards	969	782	24.0%	187
Capital markets	502	539	(6.8%)	(37)
Trade finance	456	384	18.8%	72
Tax on services	(357)	(350)	1.9%	(7)
Others	27	143	(81.3)%	(116)
Total	**6,836**	**6,238**	**9.6%**	**598**

Income from Companies Accounted by the Equity Method

Share of results of entities accounted by the equity method for the year ended December 31, 2010 was R$44 million, a R$251 million decrease from R$295 million for the year ended December 31, 2009. This decrease reflects the impact of the sale of Cielo S.A. (formerly Companhia Brasileira de Meios de Pagamento - VISANET) and the restructuring process of ABN AMRO, Brasil Dois Participações S.A., which resulted in profit from the participation in such entities of R$116 million and R$126 million, respectively, in 2009 that did not occur in 2010.

Gains (Losses) on Financial Assets and Liabilities (Net) plus Exchange Differences

Gains (losses) on financial assets and liabilities (net) plus Exchange Differences for the year ended December 31, 2010 were gains of R$1.9 billion, a R$790 million decrease from gains of R$2.7 billion for the year ended December 31, 2009. The decrease was driven by the effect of the hedge of our investment at our Grand Cayman Branch (a strategy to mitigate the exchange rate variation and the fiscal effects of offshore investments on net profit). In the year ended December 31, 2010, the effect of the devaluation of the U.S. dollar against the *real* on the net equity of our Grand Cayman Branch, and the positive hedge results, caused gains of R$272 million, compared to gains of R$1.1 billion in the same period of 2009, offset by losses of the same amount in tax expenses. Excluding the effect of the hedge of the investment in the Grand Cayman Branch, gains (losses) on financial assets and liabilities (net) were R$1.6 billion for the twelve-month period ended December 31, 2010, an increase of 5.5% compared to R$1.5 billion for the same period of 2009. For further information, see "Other Factors Affecting Financial Condition and Results of Operations —Cayman Offshore Hedging".

Other Operating Income (Expenses)

Other operating income (expenses) for the year ended December 31, 2010 was an expense of R$348 million, compared to an expense of R$116 million for the year ended December 31, 2009, mainly due to the reduction of certain operation expenses recovery charged to clients until August, 2009. The impact of this charge reduction was R$117 million, approximately.

Administrative Expenses

Administrative expenses for the year ended December 31, 2010 was R$11.2 billion, a R$284 million increase compared to expenses of R$11.0 billion for the year ended December 31, 2009.

Salaries and benefits expenses increased R$410 million, mainly as a consequence of the terms of the applicable labor union agreement, which require certain adjustments linked to the official inflation index (IPCA).

The following table sets forth personnel expenses for each of the periods indicated.

	Year ended December 31,			
	2010	**2009**	**Change %**	**Change**
	(in millions of R$)			
Salaries	3,731	3,364	10.9%	367
Social Security	994	971	2.4%	23
Benefits	792	749	5.7%	43
Training	93	88	5.7%	5
Others [(1)]	316	339	(6.8%)	(23)
Total	**5,926**	**5,511**	**7.5%**	**415**

(1) Includes the Share-based payments cost. See note 38 to our audited consolidated financial statements.

Other administrative expenses decreased from R$5.4 billion for the year ended December 31, 2009 to R$5.3 billion for the year ended December 31, 2010. The decrease was primarily due to the cost of synergies obtained from the merger between Santander Brasil and Banco Real, particularly from maintenance of properties and marketing, partially offset by technical services that were outsourced. As a result, our efficiency ratio, which we calculate as total administrative expenses divided by total income, improved from 35.0% for the year ended December 31, 2009 to 34.5% for the year ended December 31, 2010.

Provisions (Net)

Provisions principally include provisions for civil claims, tax litigations, and especially for labor claims. Provisions (net) were R$2.0 billion in the year ended December 31, 2010, as compared to R$3.5 billion in the year ended December 31, 2009 reflecting, mainly, provisions for restructuring costs related to Banco Real acquisition that occurred in 2009 but not in 2010.

Impairment Losses on Financial Assets (Net)

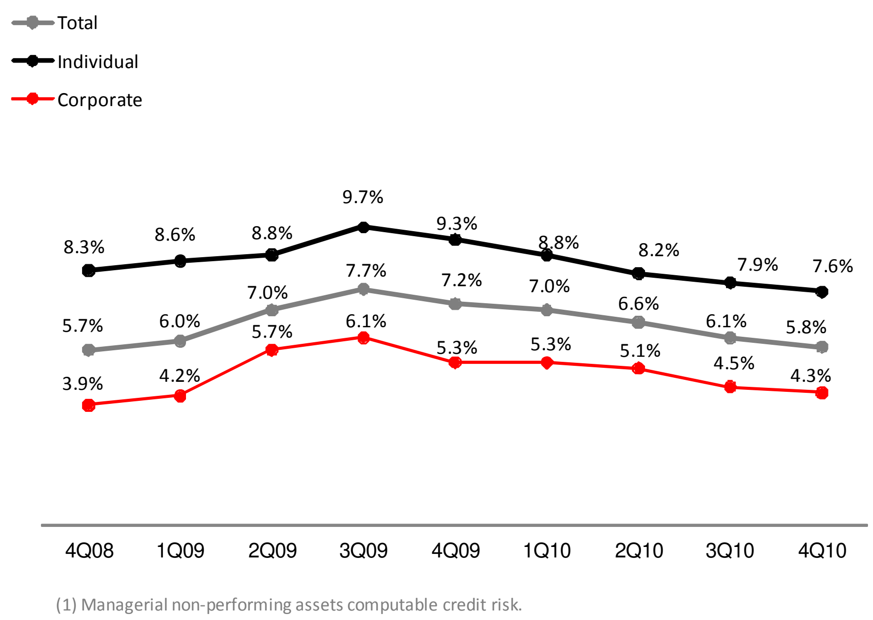
Our computable credit risk portfolio increased by R$23,655 million at December 31, 2010, or 15% compared to the year-end 2009, while non-performing assets decreased 6%, or R$551 million. As a result, there was a reduction of 110 basis points on the default rate. The net expenses from the allowances for credit losses in 2010 decreased 17.5% compared to 2009 (R$1,750 million), accounting for R$8,233 million at December 31, 2010.

The following table shows the ratio of our impaired assets to total computable credit risk and our coverage ratio at December 31, 2010 and December 31, 2009.

	At December 31,	
	2010	2009
	(in millions of R$, except for percentages)	
Computable credit risk[(1)]	183,121	159,362
Non-performing assets	9,348	9,899
Allowances for non-performing assets	9,192	10,070
Ratios		
Non-performing assets to computable credit risk	5.1%	6.2%
Coverage ratio[(2)]	98.3%	101.7%

(1) Computable credit risk is the sum of the face amounts of loans and leases (including non-performing assets but excluding country risk loans), guarantees and documentary credits.
(2) Allowances for credit losses as a percentage of non-performing assets.

The following chart shows our impaired assets from the fourth quarter of 2008 to the fourth quarter of 2010(1):



(1) Managerial non-performing assets to computable credit risk.

The following table shows our non-performing assets by type of loan at December 31, 2010 and December 31, 2009.

	At December 31,	
	2010	2009
	(in millions of R$)	
Impaired Assets by type of customer		
Commercial, financial and industrial	3,563	3,618
Real estate – mortgage	150	109
Installment loans to individuals	4,863	5,335
Lease financing	772	837
Total	**9,348**	**9,899**

Commercial, financial and industrial

Non-performing assets in commercial, financial and industrial loans in December 2010 showed a reduction of R$56 million compared to December 31, 2009, resulting in an improvement on the respective default rate.

Real estate – mortgage

Non-performing assets in real estate – mortgage loans increased by R$41 million at December 31, 2010, compared to December 31, 2009, due to default of remaining loans granted during the financial crisis.

Installment loans to individuals

Non-performing assets in installment loans to individuals showed a decrease of 9% (R$472 million), which represents a considerable reduction compared to the year ended December 31, 2009, observing the increase of 22.7% (R$11,147 million) on this portfolio. The decrease occurred mostly in refinancing products which benefited from the measures adopted in response to the international financial crisis, such as improving the decision-making process on lending and strengthening the credit recovery business.

Lease financing

Non-performing loans in lease financing in the year ended December 31, 2010 decreased R$64 million compared to the same period of last year (-8%).

Impairment Losses on Other Assets (Net)

Other impairment losses on other assets (net) for the year ended December 31, 2010 were losses of R$21 million, a R$880 million decrease from losses of R$901 million for the year ended December 31, 2009. This variance is principally explained by impairment losses of R$818 million on contracts for providing banking services that were registered in 2009 and did not occur again in 2010.

Gains/losses on disposal of assets not classified as non-current assets held for sale plus Gains/losses on disposal of non-current assets held for sale

Gains/losses on disposal of assets not classified as non-current assets held for sale plus Gains/losses on disposal of non-current assets held for sale were gains of R$140 million during the year ended December 31, 2010, a R$3.2 billion decrease from gains of R$3.4 billion during the same period ended in 2009, mainly due to the gain in 2009 from the sale of our interest in Cielo S.A. (formerly Companhia Brasileira de Meios de Pagamento - VISANET).

Income Tax

Income tax was R$2.6 billion in 2010, a R$15 million decrease from 2009. Our effective tax rate was 26.1% and 32.3%, respectively for 2010 and 2009. In 2010, the devaluation of the dollar against the *real* on the net equity of our Grand Cayman Branch, and the positive hedge results, caused losses of R$180 million in tax expenses, compared to losses of R$1.1 billion in 2009. See "—Other Factors Affecting Financial Condition and Results of Operations —Cayman Offshore Hedging". In addition, tax expense was affected in 2010, compared to 2009 by the following: (1) an increase of R$103 million in tax expenses due to lower deductible goodwill amortizations, R$1.4 billion in 2010 compared to R$1.5 billion in 2009, and (2) a R$374 million increase in deductions to R$704 million in 2010 related to interest on capital, as compared to R$330 million in 2009.

Results of Operations by Segment for the Year ended December 31, 2010 Compared to the Year ended December 31, 2009

The following tables present an overview of certain income statement data for each of our operating segments for the year ended December 31, 2010.

	For the year ended December 31, 2010						
	Commercial Banking	% of Total	Global Wholesale Banking	% of Total	Asset Management and Insurance	% of Total	Total
	(millions of R$, except percentages)						
Net interest income	21,301	88.4%	2,501	10.4%	292	1.2%	24,095
Income from equity instruments	52	100.0%	–	0.0%	–	0.0%	52
Income from companies accounted by the equity method	44	100.0%	–	0.0%	–	0.0%	44
Net fee and commission income	5,530	80.9%	892	13.0%	414	6.1%	6,836
Gains/losses on financial assets and liabilities plus Exchange Differences	1,550	82.7%	244	13.0%	80	4.3%	1,875
Other operating income/(expenses)	(596)	171.3%	(30)	8.6%	278	(80.0%)	(348)
Personnel expenses	(5,354)	90.3%	(512)	8.6%	(60)	1.0%	(5,926)
Other administrative expenses	(5,003)	94.3%	(215)	4.1%	(86)	1.6%	(5,304)
Depreciation and amortization of tangible and intangible assets	(1,130)	91.3%	(58)	4.7%	(50)	4.0%	(1,237)
Provisions (net)	(1,941)	98.3%	4	(0.2%)	(38)	1.9%	(1,974)
Impairment losses on financial assets (net)	(8,225)	99.9%	(8)	0.1%	–	0.0%	(8,234)
Impairment losses on other assets (net)	(21)	100.0%	–	0.0%	–	0.0%	(21)
Other nonfinancial gains/(losses)	140	100.0%	–	0.0%	–	0.0%	140
Profit (loss) before tax	**6,347**	**63.5%**	**2,818**	**28.2%**	**832**	**8.3%**	**9,997**

The following tables show our results of operations for the years ended December 31, 2010 and 2009, for each of our operating segments:

	For the year ended December 31,			
	2010	2009	% Change	Change
	(in millions of R$)			(in millions of R$)
Commercial Banking				
Net interest income	21,301	20,260	5.1%	1,041
Income from equity instruments	52	30	73.0%	22
Income from companies accounted by the equity method	44	295	(85.1%)	(251)
Net fee and commission income	5,530	4,970	11.3%	560
Gains/losses on financial assets and liabilities (net plus Exchange Differences)	1,550	1,751	(11.5%)	(201)
Other operating income (expenses)	(596)	(281)	n.a.	(315)
Gross income	**27,881**	**27,026**	**3.2%**	**855**
Personnel expenses	(5,354)	(4,972)	7.7%	(382)
Other administrative expenses	(5,003)	(5,213)	(4.0%)	210
Depreciation and amortization of tangible and intangible assets	(1,130)	(1,176)	(3.9%)	46

	For the year ended December 31,			
	2010	2009	% Change	Change
	(in millions of R$)			(in millions of R$)
Provisions (net)	(1,941)	(3,390)	(42.8%)	1,449
Impairment losses on financial assets (net)	(8,225)	(9,884)	(16.8%)	1,659
Impairment losses on other assets (net)	(21)	(900)	n.a.	879
Other nonfinancial gains (losses)	140	3,403	(95.9%)	(3,263)
Profit (loss) before tax	**6,347**	**4,894**	**29.7%**	**1,453**

	For the year ended December 31,			
	2010	2009	% Change	Change
	(in millions of R$)			(in millions of R$)
Global Wholesale				
Net interest income	2,501	1,767	41.6%	734
Income from equity instruments	-	-	0.0%	-
Income from companies accounted by the equity method	-	-	0.0%	-
Net fee and commission income	892	863	3.3%	29
Gains/losses on financial assets and liabilities (net) plus Exchange Differences	244	859	(71.5%)	(615)
Other operating income (expenses)	(30)	(23)	30.4%	(7)
Gross income	**3,608**	**3,467**	**4.1%**	**141**
Personnel expenses	(512)	(474)	8.0%	(38)
Other administrative expenses	(215)	(175)	23.1%	(40)
Depreciation and amortization of tangible and intangible assets	(58)	(39)	48.0%	(19)
Provisions (net)	4	(45)	(109.0%)	49
Impairment losses on financial assets (net)	(8)	(83)	n.a.	75
Profit (loss) before tax	**2,818**	**2,651**	**6.3%**	**167**

	For the year ended December 31,			
	2010	2009	% Change	Change
	(in millions of R$)			(in millions of R$)
Asset Management and Insurance				
Net interest income	292	140	108.9%	152
Income from equity instruments	-	-	0.0%	-
Income from companies accounted by the equity method	-	-	0.0%	-
Net fee and commission income	414	405	2.2%	9
Gains/losses on financial assets and liabilities (net) plus Exchange Differences	80	54	48.7%	26
Other operating income (expenses)	278	188	48.0%	90
Gross income	**1,065**	**787**	**35.3%**	**278**
Personnel expenses	(60)	(65)	(7.7%)	5
Other administrative expenses	(86)	(48)	78.6%	(38)
Depreciation and amortization of tangible and intangible assets	(50)	(34)	46.4%	(16)
Provisions (net)	(38)	(46)	(18.2%)	8
Profit (loss) before tax	**832**	**592**	**40.5%**	**240**

Commercial Banking Segment Consolidated Results of Operations for the Year ended December 31, 2010 Compared to the Year ended December 31, 2009

Summary

Profit before income tax attributed to the Commercial Banking segment for the year ended December 31, 2010 was R$6.3 billion, a R$1.4 billion increase from R$4.9 billion for the year ended December 31, 2009. This increase was mainly due to:

- Net interest income increased 5.1% or R$1.0 billion in the year ended December 31, 2010. This increase was mainly due to growth in our lending activities and the revenues from the utilization of the proceeds of the IPO in late 2009.

- Net fee and commission income had increased 11.3% or R$560 million in 2010. This growth is principally due to increased commissions from the sale of insurance and capitalization products, and credit and debit cards driven by strong penetration of products and the expansion of our card base.

Net Interest Income

Net interest income for the Commercial Banking segment for the year ended December 31, 2010 was R$21.3 billion, a 5.1% or R$1.0 billion increase from R$20.3 billion for the year ended December 31, 2009. This increase was mainly due to growth in our lending activities and the revenues from the utilization of the proceeds of the IPO.

Income from Companies Accounted by the Equity Method

Income from companies accounted by the equity method for the Commercial Banking segment for the year ended December 31, 2010 was R$44 million, a R$251 million decrease from R$295 million for the year ended December 31, 2009. This decrease reflects the impact of the sale of Cielo S.A. (formerly Companhia Brasileira de Meios de Pagamento – VISANET) and the restructuring process of ABN AMRO Brasil Dois Participações S.A. which resulted in profit from the participation in such entities of respectively R$116 million and R$126 million in the twelve-month period ended December 31, 2009 that did not occur in the same period of 2010.

Net Fee and Commission Income

Net fee and commission income for the Commercial Banking segment for the year ended December 31, 2010 were R$5.5 billion, a 11.3% or R$560 million increase from R$4.9 billion for the year ended December 31, 2009. This growth is principally due to increased commissions from the sale of insurance, capitalization, and credit and debit cards driven by strong penetration of products and the expansion of our card base. A notable event in 2010 was the migration of Banco Real's entire card base to the Santander system, which created opportunities for higher penetration of products and services related to cards and the implementation of improved best practices.

Gains/ Losses on Financial Assets and Liabilities plus Exchange Differences

Gains (losses) on financial assets and liabilities (net) plus exchange differences for the Commercial Banking segment for the year ended December 31, 2010 were gains of R$1.5 billion, a R$201 million decrease from gains of R$1.7 billion for the year ended December 31, 2009. The decrease was driven by the effect of the tax hedge of the investment at the Grand Cayman Branch (a strategy used to mitigate the exchange rate variation and fiscal effects of offshore investments on net profit). In the year ended December 31, 2010, the effect of the devaluation of the dollar against the *real* on the net equity of our Grand Cayman Branch, and the positive hedge results, caused gains of R$272 million, compared to gains of R$1.1 billion in the same period of 2009, offset by losses of the same values in tax expenses. Excluding the effect of the tax hedge of the investment at the Grand Cayman Branch, gains (losses) on financial assets and liabilities (net) were R$1.3 billion for the year ended December 31, 2010, an increase of R$0.7 million compared to R$0.6 billion for the same period of 2009.

Other Operating Income/(Expenses)

Other operating income (expenses) for the Commercial Banking segment for the year ended December 31, 2010 were expenses of R$596 million, compared to expenses of R$281 million for the year ended December 31, 2009, mainly due to the reduction of certain operation expenses recovery charged to our clients until August, 2009. The impact of this charge reduction was R$117 million.

Personnel Expenses

Personnel expenses for the Commercial Banking segment increased from R$4.9 billion for the year ended December 31, 2009 to R$5.3 billion for the year ended December 31, 2010, a 7.7% or R$382 million increase, reflecting higher salaries according to the union agreement which is based on the official inflation index (IPCA).

Other General Administrative Expenses

Other general administrative expenses for the Commercial Banking segment decreased from R$5.2 billion for the year ended December 31, 2009 to R$5.0 billion for the year ended December 31, 2010, a 4% or R$210 million decrease, primarily due to cost synergies resulting from the merger of Santander Brasil and Banco Real.

Impairment Losses on Financial Assets (Net)

Impairment losses on financial assets (net) for the Commercial Banking segment for the year ended December 31, 2010 were R$8.2 billion, a 16.8% or R$1.7 billion decrease from R$9.8 billion for the year ended December 31, 2009. This decrease was mainly due to an improvement in our delinquency rates since the fourth quarter of 2009.

Provisions (Net)

Provisions (net) for the Commercial Banking segment were R$1.9 billion for the year ended December 31, 2010, compared to R$3.4 billion for the year ended December 31, 2009. This difference is mainly due to provisions for restructuring costs related to Banco Real acquisition that did not occur in 2010.

Impairment Losses on Other Assets (Net)

Impairment losses on other assets (net) for the Commercial Banking segment for the year ended December 31, 2010 were losses of R$21 million, a R$879 million decrease from losses of R$900 million for the year ended December 31, 2009. This variance is explained by impairment losses of R$818 million on contracts for providing banking services that were registered in 2009 and did not happen again in 2010.

Global Wholesale Banking Consolidated Results of Operations for the Year ended December 31, 2010 Compared to the Year ended December 31, 2009

Summary

Profit before income tax attributed to the Global Wholesale Banking segment for the year ended December 31, 2010 was R$2.8 billion, a 6.3% or R$167 million increase from R$2.7 billion for the year ended December 31, 2009.

The increase was primarily due to a 41.6% increase in net interest income for the year ended December 31, 2010, as compared to the same period in 2009, reflecting growth in our market making activities.

Net Interest Income

Net interest income for the Global Wholesale Banking segment for the year ended December 31, 2010 was R$2.5 billion, a 41.6% or R$734 million increase from R$1.7 billion for the year ended December 31, 2009, mainly due to growth in the loan portfolio, interest rate increase and market making activities (treasury activities in professional markets involving the assumption of positions derived from clients offer or demand on treasury products).

Net Fee and Commission Income

Net fee and commission income for the Global Wholesale Banking segment for the year ended December 31, 2010 was R$892 million, a 3.3% or R$29 million increase from R$863 million for the year ended December 31, 2009. This growth was mainly due to an increase in capital markets business – including M&A, underwriting, among others – and trade finance commissions resulting from a higher volume of transactions.

Gains/ Losses on Financial Assets and Liabilities plus Exchange Differences

Gains losses on financial assets and liabilities (net) plus exchange differences for the Global Wholesale Banking segment for the year ended December 31, 2010 were gains of R$244 million, a 71.5% or R$615 million decrease from gains of R$859 million for the year ended December 31, 2009. This decrease was primarily due to lower gains in Market making and trading positions.

Other Operating Income/(Expenses)

Other operating income (expenses) for the Global Wholesale Banking segment for the year ended December 31, 2010 were expenses of R$30 million, compared to expenses of R$23 million for the year ended December 31, 2009.

Personnel Expenses

Personnel expenses for the Global Wholesale Banking segment increased from R$474 million for the year ended December 31, 2009 to R$512 million for the year ended December 31, 2010, a 8.0% or R$38 million increase, reflecting higher salaries according to the union agreement which is based on the official inflation index (IPCA).

Other General Administrative Expenses

Other general administrative expenses for the Global Wholesale Banking segment increased from R$175 million for the year ended December 31, 2009 to R$215 million for the year ended December 31, 2010, a 23.1% or R$40 million increase, mainly due to technical services that were outsourced.

Provisions (Net)

Provisions (net) for the Global Wholesale Banking segment were gains of R$4 million for the year ended December 31, 2010, compared to losses of R$45 million for the year ended December 31, 2009. Provisions principally include provisions for labor claims and civil litigation.

Impairment Losses on Financial Assets (Net)

Impairment losses on financial assets (net) for the Global Wholesale Banking segment for the year ended December 31, 2010 were losses of R$8 million, a R$75 million decrease from losses of R$83 million for the year ended December 31, 2009.

Asset Management and Insurance Segment Consolidated Results of Operations for the Year ended December 31, 2010 Compared to the Year ended December 31, 2009

Summary

Profit before income tax attributed to the Asset Management and Insurance segment for the year ended December 31, 2010 was R$832 million, a 40.5% or R$240 million increase from R$592 million for the year ended December 31, 2009. Results of operations in our Asset Management and Insurance segment for the year ended December 31, 2009 do not include the results of operations of the asset management and insurance entities until August 14, 2009, when we consolidated these entities.". See "Business— Business Overview— Asset Management and Insurance".

Net Interest Income

Net interest income for the Asset Management and Insurance segment for the year ended December 31, 2010 was R$292 million, a R$152 million increase from R$140 million for the year ended December 31, 2009. This increase was mainly due to the consolidation of the Asset Management and Insurance operations of the Santander Group into this segment in August 2009.

Net Fee and Commission Income

Net fee and commission income for the Asset Management and Insurance segment for the year ended December 31, 2010 were R$414 million, a 2.2% or R$9 million increase from R$405 million for the year ended December 31, 2009. The level of net fee and commission income has had a growth mainly due to an increase in net commissions on the sale of pension and investment funds. Beyond this, the increase is mainly due to the consolidation of Asset and Insurance operations of the Santander Group into this segment in August 2009.

Gains/ Losses on Financial Assets and Liabilities plus Exchange Differences

Gains losses on financial assets and liabilities (net) plus Exchange Differences for the Asset Management and Insurance segment for the year ended December 31, 2010 were gains of R$80 million, a R$26 million increase from R$54 million for the year ended December 31, 2009. This increase is mainly due to the consolidation of the Asset Management and Insurance operations of the Santander Group into this segment in August 2009.

Other Operating Income/(Expenses)

Other operating income (expenses) for the Asset Management and Insurance segment for the year ended December 31, 2010 was income of R$278 million, a R$90 million increase compared to R$188 million for the year ended December 31, 2009. This increase was mainly due to the consolidation of the Asset Management and Insurance operations of the Santander Group into this segment in August 2009.

Personnel Expenses

Personnel expenses for the Asset Management and Insurance segment decreased from R$65 million for the year ended December 31, 2009 to R$60 million for the year ended December 31, 2010, a 7.7% or R$5 million decrease, mainly due to cost synergies from the acquisition of Banco Real.

Other General Administrative Expenses

Other administrative expenses for the Asset Management and Insurance segment increased from R$48 million for the year ended December 31, 2009 to R$86 million for the year ended December 31, 2010, a 78.6% or R$38 million increase. This increase is mainly due to the consolidation of the Asset Management and Insurance operations into this segment in the third quarter of 2009.

Provisions (Net)

Provisions (net) for the Asset Management and Insurance segment were losses of R$38 million for the year ended December 31, 2010, compared to losses of R$46 million for the year ended December 31, 2009. Provisions principally include provisions for labor claims and tax litigations.

New Accounting Pronouncements

Standards and interpretations effective subsequent to December 31, 2011

The Bank has not yet adopted the following new or revised IFRS Interpretations, which have been issued but their effective date is subsequent to the date of these consolidated financial statements:

The amendments to IAS 1 - clarifications of disclosures: comprehensive income (OCI) - and their classification within OCI. Because of anticipated changes in IFRS 9, IAS 19 among others, the IASB explains how to display the components that fit the requirements of this standard. The amendments are effective for reporting periods beginning on or after July 1, 2012.

Amendment to IFRS 7 - clarifications of disclosures: encourages qualitative disclosures in the context of the quantitative disclosure required to help users in comparing the financial statements. Entities shall apply this Interpretation prospectively for annual periods beginning on or after January 1, 2013.

IFRS 9 – Financial Instruments: Recognition and Measurement – The main changes of IFRS 9 compared to IAS 39 are: (i) All recognized financial assets that are currently in the scope of IAS 39 will be measured at either amortized cost or fair value; (ii) IFRS 9 does not retain IAS 39's concept of embedded derivatives for hybrid contracts if the host contract is a financial asset within the scope of IFRS 9; (iii) the guidance included in IFRS 9 retains the classification criteria for financial liabilities currently contained in IAS 39. However, there are two key differences, relating to presentation and measurement, compared to IAS 39: (a) the presentation of the effects of changes in fair value attributable to a liability's credit risk; and (b) the elimination of the cost exemption for derivative liabilities to be settled by delivery of unquoted equity instruments. This standard is effective for annual periods beginning on or after January 1, 2013. IFRS 10 - Consolidated Financial Statements replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements (2008) and SIC-12 Consolidation — Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (so whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has (1) power over the investee; (2) exposure, or rights, to variable returns from its involvement with the investee; and (3) the ability to use its power over the investee to affect the amount of the returns.

IFRS 11 - Joint Arrangements introduces new accounting requirements for joint arrangements, which replaces IAS 31 - Interests in Joint Ventures. According to IFRS 11, it will be obligatory to use the equity method and choosing the method of accounting for jointly controlled entities will not be allowed. The fundamental principle of IFRS 11 is that parts of a joint venture agreement must determine the type of joint venture in question, based on the assessment of rights and obligations and according to the accounting for the type of joint venture. There are two types of joint ventures:

(1) Joint Operations: Rights and obligations on the assets and liabilities related to the agreement. The parties acknowledge their assets, liabilities and related income and expenses.

(2) Joint Venture: Rights to the net assets of the agreement. The parties acknowledge their investments by the equity method.

IFRS 12 - Disclosures of Involvement with Other Entities requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that consolidated financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

IAS 27 - Separate Financial Statements (2011) maintains the requirements relating to separate financial statements. The other portions of IAS 27 (2008) are replaced by IFRS 10.

IAS 28 - Investments in Associates and Joint Ventures (2011) amended IAS 28 Investments in Associates (2008) to conform to changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

The standards previously mentioned have an effective date for annual periods beginning on January 1, 2013, with earlier application permitted so long as each of the other standards mentioned are also applied early. The early adoption for financial institutions in Brazil is subject to the pronouncements issued by the IASB and translated into Portuguese by a Brazilian entity accredited by the International Accounting Standards Committee Foundation (IASC Foundation). However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without technically early applying the provisions of the other standards.

On May 12, 2011, the IASB also issued IFRS 13 - Fair Value Measurement, which replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 is effective for annual periods beginning on January 2013 with early application permitted.

On June 16, 2011, the IASB issued amendments to IAS 19 - Employee Benefits (2011) (the "amendments") that change the accounting for defined benefit plans and termination benefits. The amendments require the recognition of changes in the defined benefit obligation and in plan assets when those changes occur, eliminating the corridor approach and accelerating the recognition of past service costs. Changes in the defined benefit obligation and plan assets are disaggregated into three components: service costs, net interest on the net defined benefit liabilities (assets) and remeasurements of the net defined benefit (assets). Net interest is calculated using high quality corporate bond yields. This may be lower than the rate currently used to calculate the expected return on plan assets, resulting in a decrease in net income. The amendments are effective for annual periods beginning on January 1, 2013, with earlier application permitted. Retrospective application is required with certain exceptions.

On June 16, 2011, the IASB also issued "Presentation of Items of Other Comprehensive Income" (amendments to IAS 1). The amendments to IAS 1 are the result of a joint project with the U.S. Financial Accounting Standards Board and provide guidance on the presentation of items contained in the comprehensive income (OCI) and their classification within OCI. The amendments are effective for reporting periods beginning on or after July 1, 2012, with earlier application permitted.

On December 16, 2011, the IASB postponed the date for mandatory adoption of IFRS 9 and their disclosure items referred to transient changes in IFRS 7 to be adopted in January 2015.

We do not expect the adoption of the above-mentioned standards and interpretations to have a material effect on the consolidated financial statements taken as a whole, except for IFRS 9, of which we are analyzing the impacts from the adoption of this standard.

Liquidity and Capital Resources

In line with Santander Group's global funding and capital policies, we primarily fund our operations independently of any of the other entities in the Santander Group.

In order to keep inflation under control, the Brazilian Central Bank released several macro prudential measures, especially those related to the market's liquidity level and capital requirements.

On December 3, 2010, the Brazilian Central Bank released the Circular 3,513, which increased the reserve requirements for time deposits from 15% to 20%. Our excess liquidity allowed us to comply with this measure without affecting the growth of our business strategies.

In the capital field, the Brazilian Central Bank released the Circular 3,515 which changed the risk weighted from 100% to 150% for certain long-term loans to individuals dealt as of December 6, 2010. This change had effect in the BIS ratio only as of July 2011 and increased capital needs for Brazilian banks.

However, on November 11, 2011, the Brazilian Central Bank released Circular 3,563, which annulled the effects of the Circular 3,515, but increased the risk weighted from 150% to 300% for new long-term loans to individuals originated as of November 2011.

In addition, in line with Basel II, as of January 2012 banks must calculate the market risk based on stressed VaR methodology according to a schedule defined in Circular 3,568, which will increase banks' capital requirements.

Capital

Our capital management is based on conservative principles with strong monitoring of the items that affect our level of solvency. In addition, we maintain minimum levels of capital, above those required by the Brazilian Central Bank (required – 11%; desirable – 13%).

The following table sets forth our capitalization as of December 31, 2011, 2010 and 2009.

	At December 31,[1]					
	2011		2010		2009	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(in millions of R$, except percentages)					
Tier 1 capital	48,327	17.5%	44,884	19.0%	42,353	20.7%
Tier 2 capital	6,642	2.4%	7,433	3.1%	9,973	4.9%
Tier 1 and 2 capital	54,969	19.9%	52,317	22.1%	52,325	25.6%
Required Regulatory Capital[2]	30,431	n.a.	26,020	n.a.	22,483	n.a.

(1) Disregarding the effect of goodwill.
(2) Includes credit, market and operational risk capital required.

Liquidity / Funding

Our asset and liability management is carried out within defined limits as determined by the Asset and Liability Management Committee, or "ALCO", which operates under guidelines, procedures and limits established by the Santander Group.

Aligned with other Brazilian banks, most of our assets are funded in the local market. Our external foreign-currency bond issuances comprise a small, but increasing, portion of our total liabilities.

For additional information regarding ALCO see "Risk Management— Asset and Liability Management Committee".

Deposits

The following tables present the composition of our consolidated funding at the dates indicated.

Deposits	As of December 31, 2011	2010	2009
	(in millions of R$)		
Deposits from the Brazilian Central Bank and credit institutions			
Time deposits	27,023	28,867	20,838
Other demand accounts	134	344	195
Repurchase agreements	24,371	13,180	164
Total	**51,527**	**42,391**	**21,197**
Customer deposits			
Current accounts	13,561	16,132	15,140
Savings accounts	23,293	30,303	25,216
Time deposits	83,942	68,916	74,634
Repurchase agreements	53,678	52,598	34,450
Total	**174,474**	**167,949**	**149,440**
Total deposits	**226,001**	**210,340**	**170,637**

Short-Term Borrowings

Short-Term Borrowings	2011 Amount	2011 Average Rate	2010 Amount	2010 Average Rate	2009 Amount	2009 Average Rate
	As of December 31,					
	(in millions of R$, except percentages)					
Securities sold under agreements to repurchase						
At December 31	78,048	10.9%	65,778	9.8%	34,614	9.9%
Average during year	64,510	11.9%	53,623	10.3%	32,493	11.5%
Maximum month-end balance	76,693	0.0%	68,734	0.0%	37,214	0.0%
Total short-term borrowings at year end(1)	**78,048**		**65,778**		**34,614**	

(1) Includes in Deposits from the Brazilian Central Bank and credit institutions and customer deposits.

Deposits from the Brazilian Central Bank and Credit Institutions

Our balance of deposits from the Brazilian Central Bank and credit institutions was R$51.5 billion on December 31, 2011, R$42.4 billion on December 31, 2010 and R$21.2 billion on December 31, 2009, representing 22.8%, 20.2% and 12.4% of total deposits, respectively. The main change in 2011 was observed in the repurchase agreements' balance, which increased 84.9% from December 31, 2010 to December 31, 2011. Since April 2010, the reserve requirements must be fulfilled by deposits in cash at the Brazilian Central Bank instead of pledging treasury bonds. In order to raise the necessary funding to satisfy the new reserve requirements, unencumbered treasury bonds were used for repurchase agreement operations.

It also includes mainly Borrowings and Domestic Onlendings:

- *Borrowings*. We have relationships with banks all over the world, providing credit lines as foreign currency-linked (either to the U.S. dollar or to a basket of foreign currencies). We apply the proceeds from these transactions mainly to U.S. dollar-linked lending operations and in particular to trade finance operations.

- *Domestic Onlendings.* We onlend from public institutions, mainly BNDES and FINAME, for which we act as a financial agent. Funding from these sources in Brazil represents a method of providing long-term loans with attractive average interest rates to certain sectors of the economy. Loans from these funds are allocated by BNDES through banks to specific sectors targeted for economic development. This type of lending is known as "repassing" or "onlending". Under this arrangement, we borrow funds from BNDES or FINAME, the equipment financing subsidiary of BNDES, and pass the funds to the targeted sector of the economy. These loans are generally granted at rates below the average market rates and have an average maturity of up to five years. Because the repassed funds are generally matched and/or funded by loans from a federal government agency, we take no interest rate or maturity mismatch risk nor charge interest at a fixed margin over its cost of funds. We, however, retain the commercial credit risk of the borrower and therefore have discretion in the lending decision and application of the credit criteria. This type of funding is not affected by compulsory deposit requirements. The onlending is generally secured or guaranteed, although this is not required by the terms of the onlending.

Customer Demand Deposits

Our balance of demand deposits (current accounts and other demand deposits) was R$13.6 billion on December 31, 2011, R$16.1 billion on December 31, 2010 and R$15.1 billion at December 31, 2009, representing 6.0%, 7.7% and 8.9% of total deposits, respectively. The decrease of 15.9% in 2011 is in line with market trends.

Customer Savings Deposits

Our balance of customer savings deposits was R$23.3 billion on December 31, 2011, R$30.3 billion on December 31, 2010 and R$25.2 billion on December 31, 2009, representing 10.3%, 14.4% and 14.8% of total deposits, respectively. As part of our business strategy, the bank fostered the transfer of funds from savings accounts to time deposits, which did not impact the growth of total deposits, since such transfers only represent a movement between account lines. Excluding this effect, the growth of savings deposits would have been 6.9% in 2011.

Customer Time Deposits

Our balance of customer time deposits was R$83.9 billion on December 31, 2011, R$68.9 billion on December 31, 2010 and R$74.6 billion on December 31, 2009, representing 37.1%, 32.8% and 43.7% of total deposits, respectively. As part of our business strategy, the bank fostered the transfer of funds from savings accounts to time deposits, which did not impact the growth of total deposits, since such transfers only represent a movement between account lines. Excluding this effect, the growth of time deposits would have been 8.6% in 2011.

Customer Deposits - Repurchase Agreements

We maintain a portfolio of Brazilian public and private sector liquid debt instruments used to obtain overnight funds from other financial institutions or investment funds by selling such securities and simultaneously agreeing to repurchase them. Due to the short-term (overnight) nature of this funding source, such transactions are volatile and are composed, generally, of Brazilian public securities. Securities sold under repurchase agreements increased slightly to R$53.7 billion on December 31, 2011 from R$52.6 billion on December 31, 2010 and R$34.4 billion on December 31, 2009, representing 23.8%, 25.0% and 20.2% of total deposits, respectively. The variation in 2011 was mainly as a result of an increase in funding from repurchase agreements linked to debentures, which are similar to time deposits.

Other Funding

Marketable Debt Securities

As of December 30, 2011, we had R$38.5 billion in funds from the issuance of marketable debt securities, including: (1) R$1.3 billion in Agribusiness Credit Notes (*Letra de Crédito do Agronegócio*), which are credit notes that are freely negotiable and represent an unconditional promise of payment in cash, issued exclusively by financial institutions and related to credit rights originated from transactions conducted between rural producers and their cooperatives and agents of the agribusiness production chain; (2) R$8.6 billion of Real Estate Credit Notes—LCI related to credit rights originating from real estate transactions; (3) R$6.5 billion in bonds (under our Medium Term Notes Program—MTN) and other securities; (4) R$19.9 billion in Financial Bills (*Letras Financeiras*); and (5) R$2.2 billion (under our diversified Payment Rights Program—DPR) in securitization notes.

In 2010, the Brazilian Central Bank created a new product called a Financial Bill (*Letra Financeira*) which has been used as a mechanism to develop the long-term funding market and was implemented as an instrument to support the development of a secondary bond market (which currently does not exist locally in Brazil). Main features are a minimum tenor of two years, a minimum denomination of R$300 thousand and the issuer being allowed to redeem only 5% of the issued amount. The volume of Financial Bill (*Letra Financeira*) increased from R$6.6 billion at December 31, 2010 to R$19.9 billion at December 31, 2011.

Subordinated Debt

As of December 31, 2011, our subordinated debt included R$10.9 billion of certificates of deposit issued by us in the local market in various issuances at average interest rates indexed to CDI or IPCA, an increase of R$1.2 billion from the amount of subordinated debt provided at December 31, 2010, due to interest accrued in the period.

Contractual Obligations

Our contractual obligations at December 31, 2011 are summarized as follows:

	At December 31, 2011 (in millions of R$)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations					
Deposits from the Brazilian Central Bank and credit institutions[1]	51,527	43,590	5,954	1,028	955
Customer deposits................................	174,474	104,802	56,086	13,530	56
Marketable debt securities	38,590	17,289	15,922	4,263	1,116
Subordinated liabilities	10,908	-	5,402	5,269	237
Total...	**275,499**	**165,681**	**83,364**	**24,090**	**2,364**

(1) Includes R$23,925 million of repurchase agreements with maturity on January 2, 2012.

The above table does not reflect amounts that we may have to pay on derivative contracts. The amounts ultimately payable will depend upon movements in the financial markets. The aggregate fair value of all our derivative contracts at December 31, 2011 was R$511 million, compared to R$378 million at December 31, 2010.

In addition, we lease many properties under standard real estate lease contracts, which can be canceled at our option and include renewal options and escalation clauses. Total future minimum payments of non-cancelable operating leases as of December 31, 2011 was R$2,019 million, of which R$602.5 million matures in up to one year, R$1,361.3 million from one year to up to five years and R$55.2 million after five years. Additionally, we have contracts with indeterminate maturities totaling R$2.3 million per month.

Trend Information

The following list sets forth, in our view, the most important trends, uncertainties and events that are reasonably likely to have a material effect on our net sales or revenues, income from continuing operations, profitability, liquidity and capital resources, or that would cause reported financial information to be not necessarily indicative of future operating results or financial condition:

- Financial problems in certain countries in Europe could lead to another international financial crisis. If this occurs, Brazilian GDP growth in future periods may be depressed and, as a result, our credit portfolio may not grow or could decrease and our provisions for loan losses would increase;
- Inflation increases that cause an increase in interest rates and lower growth in lending;
- Continued market volatility and instability could affect our revenues;
- Restrictive regulations or government intervention in the banking business would affect our margins and/or lending growth;
- Regulatory capital changes towards more restrictive rules as a response to potential financial crisis or general macroeconomic conditions;
- Decreased liquidity in domestic capital markets;
- Tax policies that could decrease our profitability;
- Currency fluctuation and exchange rate controls that could have an adverse impact on international investors.

For more information/detail, see "Risk Factors", where we present the risks we face in our business that may affect our commercial activities, operating results or liquidity.

Off-Balance Sheet Arrangements

We have entered, in the normal course of business, into several types of off-balance sheet arrangements, including lines and letters of credit and financial guarantees.

Lending-Related Financial Instruments and Guarantees

We utilize lines and letters of credit and financial guarantee instruments to meet the financing needs of our customers, the contractual amount of these financial instruments represents the maximum possible credit risk should the counterparty draw down the commitment or we fulfill our obligation under the guarantee, and the counterparty subsequently fails to perform according to the terms of the contract. Most of these commitments and guarantees expire without the counterparty drawing on the credit line or a default occurring. As a result, the total contractual amount of these instruments does not represent our future credit exposure or funding requirements. Further, certain commitments, primarily related to consumer financing are cancelable, upon notice, at our option.

The "maximum potential amount of future payments" represents the notional amount that could be lost if there were a total default by the guaranteed parties, without consideration of possible recoveries from collateral held or pledged, or recoveries under recourse provisions. There is no relationship between these amounts and probable losses on these guarantees. In fact, maximum potential amount of future payments significantly exceeds inherent losses.

The following table sets forth the maximum potential amount of future payments under credit and financial guarantees.

	At December 31,		
	2011	**2010**	**2009**
		(millions of R$)	
Contingent liabilities			
Financial guarantees and other securities	21,872	22,122	20,506
Documentary credits	700	441	461
Total contingent liabilities	**22,572**	**22,563**	**20,967**
Commitments			
Loan commitments drawable by third parties(1)	98,553	93,472	77,789
Total commitments	**98,553**	**93,472**	**77,789**
Total	**121,125**	**116,035**	**98,757**

(1) Includes the approved limits and unused overdraft, credit card and others.

Capital Expenditures and Divestitures

Our principal capital expenditures are comprised of investments in information technology. The technology platform we have adopted focuses on our customers and supports our business model. In 2011, 2010 and 2009 total investments in information technology were R$848 million, R$1,150 million and R$473 million, respectively.

In early 2011, we completed the integration with the migration of accounts and operations of all customers, individual and corporate, to our new technology platform. Since then, customers have been able to benefit from a wide range of products and services. This project has always been focused on continuously improving the standard of care and level of customer service.

Technology management by specialized companies belonging to Santander Group enables us to achieve a global scale and other benefits similar to outsourcing without the loss-of-control downside of externalizing core activities.

For further discussion of our technology infrastructure see "Business Overview—Technology and Infrastructure" below.

Our major divestiture in the past three fiscal years and until the date of this information memorandum was the sale, in March 2010, of the building that housed the former headquarters of Banco Real, located at Avenida Paulista 1,374, São Paulo, for a total amount of R$270.0 million. This transaction was consummated through a purchase agreement dated on March 4, 2010 with Fundo de Investimento Imobiliário Prime Portfólio corresponding to the sale of 60.0% of the building and a purchase agreement dated on March 5, 2010 with Top Center Empreendimentos e Participações Ltda. corresponding to the sale of 40% of the building. We have financed 40% of the purchase price of the building.

Risk Management

Overview

Our operations are subject to a variety of risks. To manage these risks actively, we have incorporated the Santander Group's worldwide risk management functions into various levels of our organization. Certain members of our risk management area are seconded from the Santander Group to ensure a consistent risk management approach worldwide by implementing Santander Group's risk management policies for all of our areas, including financial, credit and market risk. In addition, committees headed by senior management oversee our financial, credit and market risk reports. Risk limits and exposures in local jurisdictions are further subject to approval from the Santander Group.

Credit Risk

Our credit risk management process is designed to follow the standards of the Santander Group while taking into account our product offerings and the specific regulatory requirements of our operations in Brazil. Our credit approval processes, particularly approval of new loans and risk monitoring, is structured in accordance with our customer and product classification. Our credit approval processes are structured primarily around our retail lending and wholesale lending activities. For additional details on our credit risk management policies with respect to specific categories of loans by type of customer see "Selected Statistical Information—Loan Portfolio—Types of Loans."

Retail Lending

In our retail banking, credit requests by individuals are analyzed by a credit approval system applying various types of processes depending on the credit history of the customer and the type of credit requested. For standard credit requests in amounts less than R$2,000,000, approval is generally made at our branches are based on an automatic, standardized process. When the customer's request is submitted for credit approval, we collect relevant credit information for the customer, including the individual's profession, level of income, internal and external financial restrictions, credit history, current indebtedness, and relationship with us. Based on this data and the type of credit requested, our credit rating system automatically assigns a credit rating based on a scoring model and our risk management policies. We use our scoring models in two different phases, an "initial" phase and an "ongoing" phase. A pure credit scoring model is applied in the initial phase when the customer starts the relationship with us. A behavioral scoring model is used when the customer has already had a relationship with us for the time period established by our risk management policies. This policy allows us to evaluate our existing customers with a more complete analysis than if we applied a pure scoring model for all customers.

For financing products offered to SMEs, the credit risk approval process can be based on an automated scoring system, based on credit policies, and/or be manually individually analyzed and approved, based on the creditworthiness of the customer, in accordance with the respective credit risk approval authority levels as described in the table below. This preliminary analysis also generates a credit rating based on our internal models. Additional information, such as the characteristics of the financing product being offered, including related terms and conditions and collateral granted in connection therewith, is also taken into account as part of the approval process.

Pre-approved limits are granted lines of credit for a particular individual or a SME based on the creditworthiness and size as determined according to our scoring criteria. Credit approval by our branches is allowed by authorized personnel according to established parameters. Credit limits are managed based on the performance of the client taking into account its risk profile.

Credit authorizations are established through policies that define the rules and responsibilities of the members of each committee. We have established procedures and authorized certain organizational bodies to approve credit requests in amounts greater than those delegated to individual branches (both for individuals and SMEs). Such approvals are made following the application of the relevant scoring model and individualized analysis by the relevant authorized body. The following table presents the individuals or bodies authorized to make extensions of credit to retail borrowers for the amounts specified:

Authorization Required	Amount
Branch(1)	Up to R$2 million
Business Committees(2)	Up to R$2 million
Network Committees(3)	Up to R$4 million
Decision centers(4)	Up to R$8 million
Retail Risk Committee(5)	Up to R$15 million
Superior Risk Committee for Retail(6)	Up to R$60 million
Superior Risk Committee(7)	Up to U.S.$70 million
Brazil Executive Risk Committee(8)	Up to €100 million

(1) For individuals, the maximum value is R$2.0 million for mortgages; for other credit lines, the maximum is R$110 thousand. For SMEs the maximum value is R$600 thousand.
(2) Members of Business Committees include a credit risk consultant.
(3) Members of Network Committees include a credit risk consultant.
(4) Members of the Decision Centers of Risk includes Superintendents and other representatives of the Risk area.
(5) Members of the Retail Risk Committee include a Retail Risk Superintendent and other representatives of the Risk area.
(6) Members of the Superior Risk Committee for Retail include the Retail Risk Director.
(7) Members of the Superior Risk Committee include the Director of Wholesale, Retail Risk Director, Director of Market Risk, Director of Billing and representatives from each Risk department.
(8) Realized jointly with the Corporate Risk Committee, with members from Brazil and Spain, among them: Risk General Director/Madrid, Risk Executive Vice President/Brazil, Market Risk Director/Brazil, Risk Officers of Wholesale, Retail, Recovery and Solvency.

Wholesale Lending

For lending to our wholesale banking customers, the approval process is determined for each customer class and product separately. Credit requests by our Global Banking & Markets customers, a group of approximately 600 entities, are approved by the Superior Risk Committee or by the Brazil Executive Risk Committee. Credit requests by our corporate customers/Corporate Segment (corporations with annual revenues in excess of R$80 million) must be approved by credit committees presented in the following table for the amounts indicated.

Authorization Required	Amount Corporate Customers (GB&M)	Amount Corporate Customers
Regional approval committee	N.A.	Up to R$6 million
Regional Wholesale Risk Committee	N.A.	Up to R$15 million
Territorial Risk Committee	N.A.	Up to R$40 million
Wholesale Risk Committee	N.A.	Up to R$60 million
Superior Risk Committee(1)	Up to U.S.$40 million	Up from U.S.$70 million
Brazil Executive Risk Committee (2)	Up to €100 million	Up to €100 million

(1) Members of the Superior Risk Committee include, among others, Directors of Wholesale, Retail, Market Risk, Recovery and representatives from the Risk departments.
(2) Jointly with the Corporate Risk Committee, with members from Brazil and Spain, among them: Risk General Director/Madrid, Risk Executive Vice President/Brazil, Market Risk Director/Brazil, Risk Directors of Wholesale, Retail, Recovery and Solvency.

Credit Monitoring

Credit lines to retail banking customers (companies) are reviewed on a weekly basis. Credit lines to retail customers (individuals) are reviewed on a daily basis, based on a client's credit rating. This process allows improvements in the credit exposure with customers that have presented good credit quality. Specific early warnings are automatically generated in the case of the deterioration of a customer's credit quality. In this event, a credit risk mitigation process designed to prevent default begins with identification of the customer's solvency problem (expenditures and other financial commitments) and the customer is approached by the relationship manager.

Early warnings are automatically generated for SMEs, and their performance is monitored monthly. In addition, the financial situation of each business is discussed by specific committees in the presence of the commercial area with the aim of continuously improving the quality of our credit portfolio.

Credit Lines to wholesale banking customers and its credit quality are reviewed on an annual basis. There is a monitoring procedure and any specific concern with regard to the credit quality of a specific customer, a system of customer monitoring known as FEVE (Firms for Special Vigilance) is used, with possible actions to be taken under the following categories: "monitor", "reduce exposure", "seek collateral" or "cancel". In these situations, client will be reviewed on a quarterly or a semi-annual basis.

Credit Classifications

We are required to classify our credit transactions, in accordance with criteria set forth in 2000 by the Brazilian Central Bank, as either AA, A, B, C, D, E, F, G or H. Each of these categories corresponds to a number of days a transaction is past due and one of our own internal risk rating categories, which have been approved by the Brazilian Central Bank. We classify all transactions with individuals based solely on the number of days past due.

We classify all other transactions at the higher of our own internal risk classification or the risk classification resulting from the number of days the transaction is past due. Our credit classifications take into account:

- the conditions of the debtor and any guarantor, such as the debtor's and/or guarantor's economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, administration, corporate governance and quality of internal controls, payment history, the sector in which such debtor or guarantor is active, contingencies and credit limits; and

- characteristics of the transaction, such as its nature and purpose, type, sufficiency and level of liquidity of collateral and the total amount of the credit.

Our rating and risk management systems are reviewed by both the Brazilian Central Bank and the Santander Group's internal auditors. Our management has not had any disputes with the Brazilian Central Bank or the Santander Group regarding our risk management operations.

Credit Provisioning

The Brazilian Central Bank specifies a minimum provision for each credit transaction rating category, which is measured as a percentage of the total amount of credit operations, as set forth in the table below.

Brazilian Central Bank Classification (Risk level)	Minimum Provision in %	Days Past Due Classification (days past due)
AA	—	None
A	0.5	<15
B	1.0	15-30
C	3.0	30-60
D	10.0	60-90
E	30.0	90-120
F	50.0	120-150
G	70.0	150-180
H	100.0	180-210

Collections

In order to reduce costs and increase recovery, the Collection Area uses tools, such as behavior score, to study the collection performance of certain groups. Customers who have a high probability to pay are classified as low risk and we give adequate attention to maintain a healthy relationship with them. On the other hand, customers with low probability to pay are classified as high risk and receive more intense scrutiny. All the customers in delinquency or with renegotiated contracts raise an internal flag.

The strategies and the different collection channels are defined according to the customer delinquency (days past due and amount). This results in what we call a Responsibility Map. We adopt an intense collection model to deal with customers in the beginning of delinquency. This model has specific strategies and an internal effective monitoring. In this phase we use Call Centers, external credit bureaus, collection letters and sales force at the branches. A specialized team is used in order to collect and restructure cases with delinquency over 60 days past due with higher amounts. We also use external agencies and attorneys to collect from higher risk customers. These agencies receive a success fee according to the collected amount.

Frequently, we perform portfolio sales focused on charge off accounts. These portfolio sales usually happen through auctions in order to look for the better market opportunity.

Asset and Liability Management Committee

Our asset and liability management strategy is defined by the Asset and Liability Management Committee, or ALCO, which operates under the strict guidelines and procedures established by the Santander Group. Members of the ALCO include our Chief Executive Officer, Chief Financial Officer, Treasurer, Executive Vice President of Risk Management, Senior Vice President of wholesale banking operations, Senior Vice President of Retail Banking, the head of ALM and Chief Economist, among others. The ALCO establishes our funding strategy, structural balance sheet interest rate position and capital management. It uses several risk metrics to monitor the impact of market conditions, including market value and interest rate margin sensitivities. Other ALCO activities include the establishment of transfer pricing policies, management of risk-weighted assets and economic capital exposure, management of local regulatory capital and decision making on capital instrument issuances, each of which is in line with the Santander Group's guidelines and limits.

Market Risk

Generally

We are exposed to market risk mainly as a result of the following activities:

- Trading in financial instruments, which involves interest rate, foreign exchange rate, equity price and volatility risks.
- Engaging in retail banking activities, which involves interest rate risk because a change in interest rates affects interest income, interest expense and customer behavior.
- Investing in assets (including subsidiaries) whose returns or accounts are denominated in currencies other than the *real*, which involves foreign exchange rate risk.
- Investing in subsidiaries and other companies, which subjects us to equity price risk.
- All trading and non-trading activities, which involve liquidity risk.

Primary Market Risks and How They Arise

The primary market risks to which we are exposed are interest rate risk, foreign exchange rate risk, equity price risk, volatility risk and liquidity risk. We are exposed to interest rate risk whenever there is a mismatch between interest rate sensitive assets and liabilities, subject to any hedging we have engaged in using interest rate swaps or other off-balance sheet derivative instruments. Interest rate risk arises in connection with both our trading and non-trading activities.

We are exposed to foreign exchange rate risk as a result of mismatches between assets and liabilities, and off-balance sheet items denominated in different currencies, either as a result of trading or in the normal course of business. We maintain non-trading open currency positions arising from our investments in overseas subsidiaries (such as our Grand Cayman Branch), affiliates and their currency funding. Our principal non-trading currency exposure is the U.S. Dollar, which, as mandated by our policies, is hedged to the *real* within established limits.

We are exposed to equity price risk in connection with both our trading and non-trading investments in equity securities.

We are also exposed to liquidity risk. Market depth is the main liquidity driver in our trading portfolio, even though our policy is to trade the most liquid assets. Our liquidity risk also arises in non-trading activity due to the maturity gap between assets and liabilities mostly in the retail banking business.

We use derivatives for both trading and non-trading activities. Trading derivatives are used to eliminate, reduce or modify risk in trading portfolios (interest rate, foreign exchange and equity price risk), and to provide financial services to customers. Our principal counterparties (in addition to customers) for this activity are financial institutions and the BM&FBOVESPA. Our principal derivative instruments include interest rate swaps, interest rate futures, foreign exchange forwards, foreign exchange futures, foreign exchange options, cross currency swaps, equity index futures and equity options and interest rate options.

We also use derivatives in non-trading activity in order to manage the interest rate risk and foreign exchange risk arising from asset and liability management activity. We use interest rate and foreign exchange non-optional derivatives in non-trading activity.

We have no credit derivatives in Brazil, as there is no market for credit derivatives in Brazil.

Procedures for Measuring and Managing Market Risk

Our board of directors is responsible for establishing our policies, procedures and limits with respect to market risk, including which businesses to enter into and maintain. The risk committee monitors our overall performance in light of the risks assumed. Together with the local and global assets and liabilities committees, each market risk unit measures and monitors our market and liquidity risk and provides figures to the assets and liabilities committees to use in managing such risks.

Market risk is regulated and controlled through certain policies, set forth in our market and liquidity risk management policies manual (as described below), and through structures setting forth specific limits to our exposure to market risk which is based on global limits established for the entire Santander Group. In addition, authorized products are listed and reviewed periodically.

These policies, procedures and limits on market risk are applicable to all units, businesses or portfolios susceptible to market risk.

Market and Liquidity Risk Management Policies Manual

The market and liquidity risk management policies manual, or the "Manual", is a compilation of policies that describe the control framework used by the Santander Group to identify, measure and manage market risk exposures inherent in our activities in the financial markets. The Manual is employed for market risk management purposes at all levels in the Santander Group and within its subsidiaries (including us), providing a general and global action framework and establishing risk rules for all levels.

The Manual's main objective is to set forth the risk level which our board of directors deems acceptable and to describe and report all risk policies and controls that our board of directors has established. All risk managers within the Santander Group must ensure that each business activity is performed in accordance with the policies established in the Manual. The Manual is followed in market risk decision-making in all business units and activities.

Market Risk Management Procedures

All functions developed by risk management are documented and regulated by different procedures, including measurement, control and reporting responsibilities. Internal and external auditors audit the compliance with this internal regulation to ensure that our market risk policies are followed.

Market Risk Limit Structure

The market risk limit structure represents the Bank's risk appetite and is aligned with our global market risk management policies, which encompass all of our business units and serve to:

- Identify and define the main types of risk incurred in a manner consistent with our business strategy.
- Quantify and report to our business segments with respect to appropriate risk levels and risk profile in line with senior management's assessment of risks to help avoid any of our business segments taking undesired risks.
- Provide flexibility to our business segments to timely and efficiently establish risk positions responsive to market changes and our business strategies, and always within acceptable Santander Group risk levels.
- Allow the individuals and teams originating new business to take prudent risks that will help attain budgeted results.
- Establish investment alternatives by limiting equity consumption.
- Define the range of products and underlying assets within each unit of treasury can operate, taking into consideration our risk modeling and valuation systems and our liquidity tools. This will help to constrain all market risk within the business management and defined risk strategy.

Global market risk management policies define our risk limit structure while the risk committee reviews and approves such policies. Business managers administer their activities within these limits. The risk limit structure covers both our trading and non-trading portfolios and includes limits on fixed income instruments, equity securities, foreign exchange and other derivative instruments.

Limits considered to be global limits refer to the business unit level. To date, system restrictions prevent intra-day limits. Our business units must comply with approved limits. Potential excesses require a range of actions carried out by the global market risk function unit including (1) providing risk-reducing suggestions and controls, which are the result of breaking "alarm" limits and (2) taking executive actions that require risk takers to close out positions to reduce risk levels.

Statistical Tools for Measuring and Managing Market Risk

Trading Activity

The trading portfolio comprises our proprietary positions in financial instruments held for resale and/or bought to take advantage of current and/or expected differences between purchase and sale prices. This portfolio also includes positions in financial instruments deriving from market making and sales. As a result of trading fixed income securities, equity securities and foreign exchange, we are exposed to interest rate, equity price and foreign exchange rate risks. We are also exposed to volatility when derivatives are used.

We actively manage market risk arising from proprietary trading and market making activities through the use of cash and derivative financial instruments traded in over-the-counter, or "OTC", and organized markets. We typically hedge interest rate risk derived from market making by buying or selling very liquid cash securities such as government bonds, or futures contracts listed at BM&FBOVESPA.

We manage foreign exchange rate risk through spot transactions executed in the global foreign exchange inter-bank market, as well as through forward foreign exchange, cross-currency swaps, FX futures at the BM&FBOVESPA and foreign exchange options. We hedge equity price risk by buying or selling the underlying individual stocks in the organized equity markets in which they are traded or futures contracts on individual stocks listed in organized markets like the BM&FBOVESPA. We hedge volatility risk arising from market making in options and option-related products by either buying and selling option contracts listed in organized markets like the BM&FBOVESPA, or entering risk reversal transactions in the inter-bank OTC market. We use value at risk or "VaR", to measure our market risk associated with all of our trading activity.

VaR model. Locally, we use a variety of mathematical and statistical models, including VaR models, historical simulations and stress testing to measure, monitor, report and manage market risk. Such numbers, produced locally, also serve as input for global activities such as evaluations of return on risk adjusted capital, or "RORAC", and to allocate economic capital to various activities in order to evaluate the RORAC of such activities.

As calculated by us, VaR is an estimate of the expected maximum loss in the market value of a given portfolio over a one-day time horizon at a 99% confidence interval. It is the maximum one-day loss that we estimate we would suffer on a given portfolio 99% of the time, subject to certain assumptions and limitations discussed below. Conversely, it is the figure that we would expect to exceed only 1.0% of the time, or approximately three days per year. VaR provides a single estimate of market risk that is comparable from one market risk to the other.

Our standard methodology is based on historical simulation (521 days). In order to capture recent market volatility in the model, our VaR figure is the maximum between the 1% percentile and the 1% weighted percentile of the simulated profit and loss distribution. This loss distribution is calculated by applying an exponential decline factor, which accords less weight to the observations farthest away in time.

We use VaR estimates to alert senior management whenever the statistically estimated losses in our portfolios exceed prudent levels. Limits on VaR are used to control exposure on a portfolio-by-portfolio basis.

Assumptions and limitations. Our VaR methodology should be interpreted in light of the limitations that (1) a one-day time horizon may not fully capture the market risk of positions that cannot be liquidated or hedged within one day and (2) at present, we compute VaR at the close of business and trading positions may change substantially during the course of the trading day.

Scenario analysis and calibration measures. Because of these limitations in VaR methodology, in addition to historical simulation, we use stress testing to analyze the impact of extreme market movements and adopt policies and procedures in an effort to protect our capital and results of operations against such contingencies. In order to calibrate our VaR model, we use back testing, which is a comparative analysis between VaR estimates and the daily clean profit and loss (theoretical result generated assuming the mark-to-market daily variation of the portfolio considering only the movement of the market variables). The purpose of these tests is to verify and measure the precision of the models used to calculate VaR.

Non Trading Activities

Interest rate risk. We analyze the sensitivity of net interest margin and market value of equity to changes in interest rates. This sensitivity arises from gaps in maturity dates and interest rates in the different asset and liability accounts. Certain re-pricing hypotheses are used for products without explicit contractual maturities based on the economic environment (financial and commercial).

On the basis of the positioning of balance sheet interest rates, as well as the market situation and outlook, we take financial measures to adjust the positioning to levels in line with Santander Group policies. These measures range from taking positions in markets to defining the interest rate features of commercial products. The measures used to control interest rate risk are the interest rate gap analysis, the sensitivity of net interest margin and market value of equity to changes in interest rates, VaR and analysis of scenarios.

Interest rate gap of assets and liabilities. Interest rate gap analysis focuses on lags or mismatches between changes in the value of asset, liability and off-balance sheet items. Gap analysis provides a basic representation of the balance sheet structure and allows for the detection of interest rate risk by concentration of maturities. It is also a useful tool for estimating the impact of eventual interest rate movements on net interest margin or equity.

All on- and off-balance sheet items must be broken down by their flows and analyzed in terms of re-pricing and maturity. In the case of those items that do not have a contractual maturity, an internal model of analysis is used and estimates are made of their duration and sensitivity.

Net interest margin sensitivity. The sensitivity of net interest margin measures the change in the short- and medium-term in the accruals expected over a 12-month period, in response to a shift in the yield curve. The yield curve is calculated by simulating the net interest margin, both for a scenario of a shift in the yield curve as well as for the current scenario. The sensitivity is the difference between the two margins calculated.

Market value of equity sensitivity. Net worth sensitivity measures the interest risk implicit in net worth (equity) over the entire life of the operation on the basis of the effect that a change in interest rates has on the current values of financial assets and liabilities. This is an additional measure to the sensitivity of the net interest margin.

Value at risk. The VaR for balance sheet activity and investment portfolios is calculated with the same standard as for trading and historical simulation, with a confidence level of 99% and a time frame of one day.

Analysis of scenarios of stress test. We apply three scenarios for the performance of interest rates: six standard deviations up and six standard deviations down of risk factors and one abrupt scenario in which risk factors are increased by 50% up and down from current levels. These scenarios are applied to the balance sheet, obtaining the impact on net worth as well as the projections of net interest revenue for the year.

Liquidity risk. Liquidity risk is associated with our capacity to finance our commitments at reasonable market prices, as well as to carry out our business plans with stable sources of funding. We permanently monitor maximum gap profiles. The measures used to control liquidity risk are the liquidity gap, stress scenarios and contingency plans.

Liquidity gap. The liquidity gap provides information on contractual and expected cash inflows and outflows for a certain period of time, for each of the currencies in which we operate. The gap measures the net need or excess of funds at a particular date and reflects the level of liquidity maintained under normal market conditions.

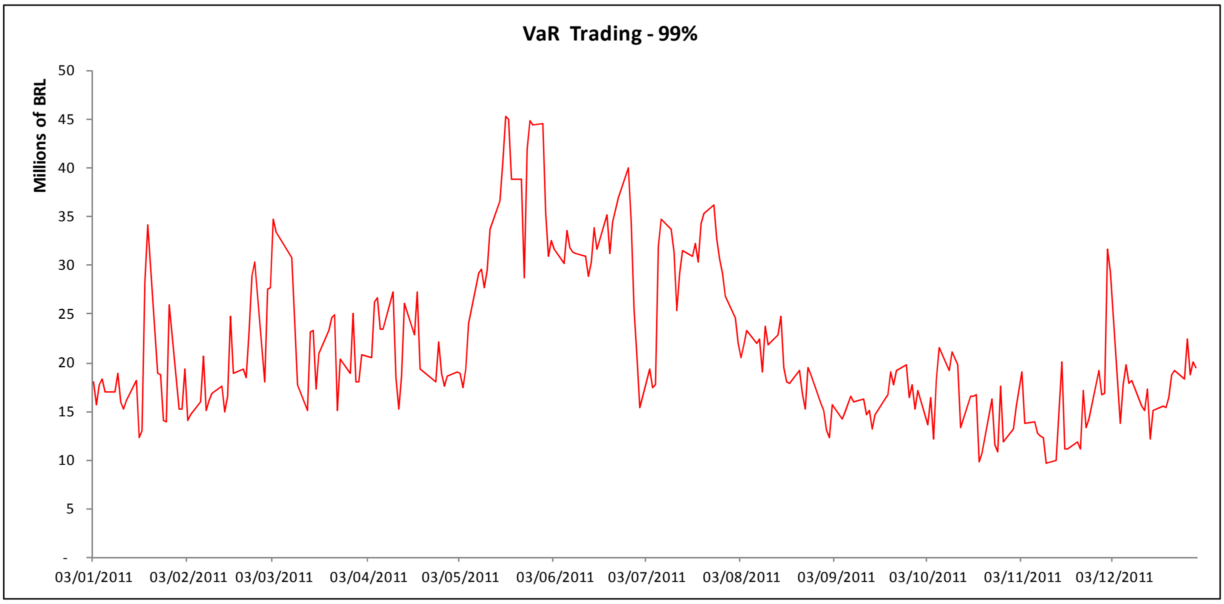
Analysis of scenarios/contingency plan. The contingency plan includes the local and external activities and consists of a formal set of preventive and corrective actions taken in times of liquidity crises.

Using analysis of historical scenarios and simulations of impacts on bank liquidity we define action plans and contingencies to establish roles and responsibilities and levels to trigger the contingency plan. Each unit should prepare its contingency plan and submit it for Santander Spain semi-annually. The document can be updated more or less frequently depending on the market liquidity conditions.

Quantitative Analysis

Trading Activity

Quantitative analysis of daily VaR in 2011. Our risk performance with regard to trading activity in financial markets during 2011, measured by daily VaR, is shown in the following graph.

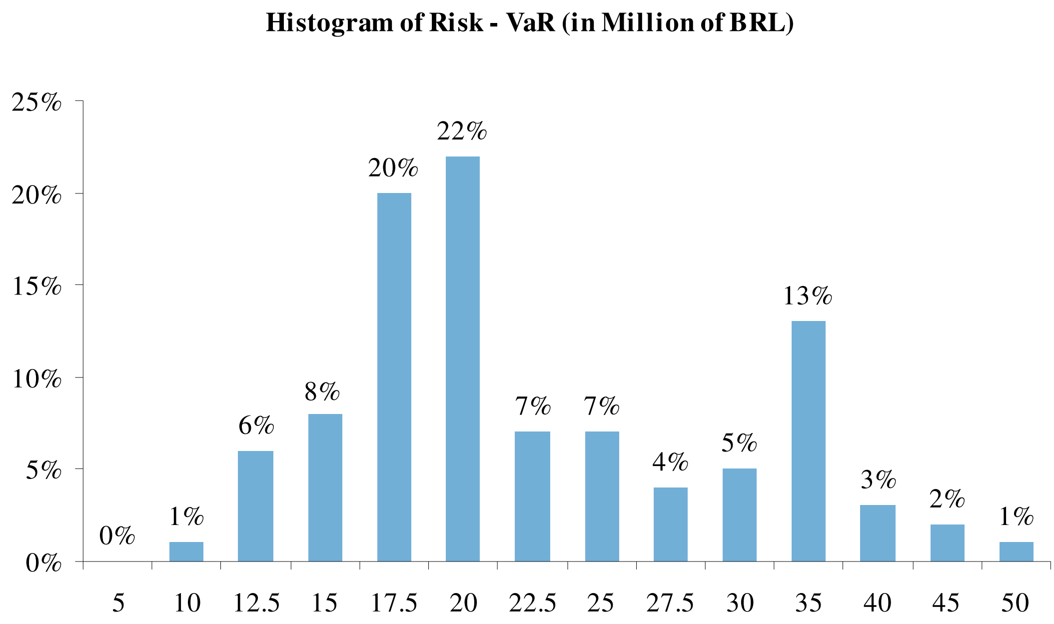


* Date format used is day/month/year.

VaR during 2011 fluctuated in a range between R$10 million and R$45 million. The VaR variance shown in the chart above was mainly due to changes of positions taken by trading book during 2011.

As observed in the histogram below, the VaR maintained a range between R$15 million and R$30 million on 74% of the days in 2011.

Histogram of Risk – VaR (in millions of R$)

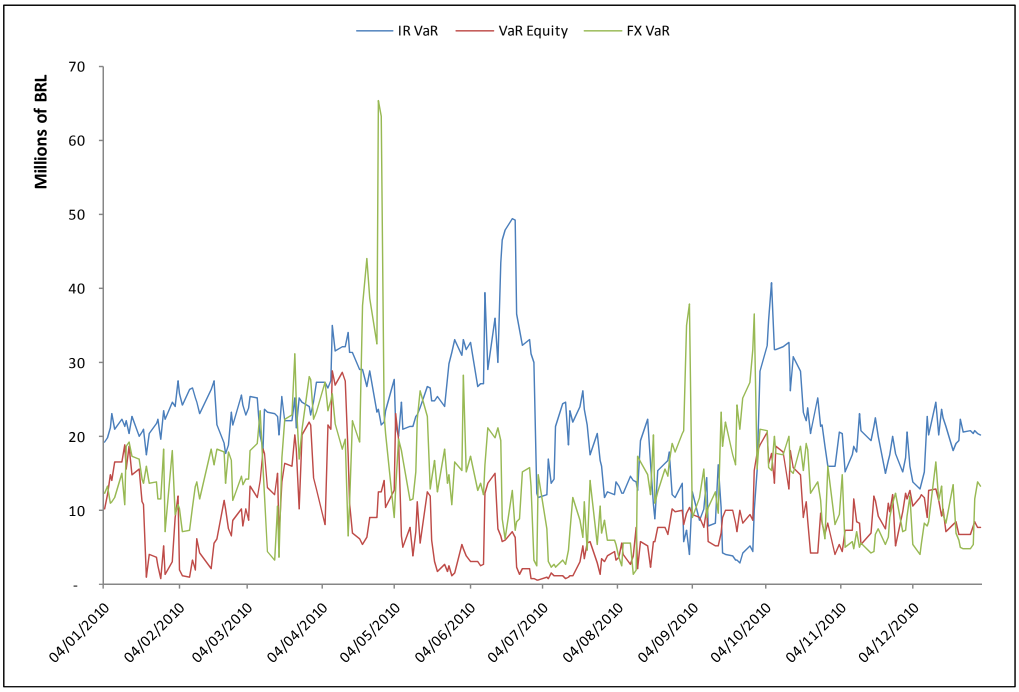


Risk by factor. The minimum, maximum, average and year-end 2011 risk values in VaR terms were as follows:

	Minimum	Average	Maximum	Last
		(in Million of R$)		
Total Trading				
Total VaR	9.63	21.74	45.29	19.52
Diversification Effect	(1.88)	(11.73)	(36.72)	(5.67)
IR VaR	9.07	19.94	41.31	18.72
Equity VaR	1.46	5.71	14.19	4.80
FX VaR	0.98	7.82	26.52	1.68

The average VaR for 2011 was R$21.7 million which was close to the value of 2010, and, considering the fact that the 2008 crisis data moved out from the VaR historical series in 2011, the year of 2011 itself presented significant volatility.

The average risk of the three main risk factors, interest rates, equity price and exchange rates, were R$19.9 million, R$5.7 million and R$7.8 million, respectively, with a negative average diversification effect of R$11.7 million. The chart below shows the evolution of the risk groups VaR interest rates (IR), VaR exchange rates (FX) and VaR equity prices.



* Date format used is day/month/year.

Risk Statistics in 2011

Risk management of structured derivatives. Our structured derivatives activity (OTC) is mainly focused on structuring investment and hedging products for customers. These transactions include options on FX equities, currencies, fixed-income instruments and mostly market making books.

Scenario analysis. Different stress test scenarios were analyzed during 2011. A correlation break scenario generated results that are presented below.

Worst Case Scenario

The table below shows, on December 30, 2011, the maximum daily losses for each risk factor (fixed-income, equities and currencies), in a scenario which uses historical volatilities and simulates variations of the risk factors of +/-3 and +/-6 standard deviations on a daily basis. From this group of scenarios, we generate a table of stress test results, which identifies the largest loss per risk factor. The sum of the largest losses of each risk factor is the result of the Worst Case Scenario, which considers the break of correlation between risk factors.

Worst Case Stress Test

	Fixed Income	Equities	Exchange Rate	Total
		(in millions of R$)		
Total trading	**(18.5)**	**(6.0)**	**(7.6)**	**(32.1)**

The stress test shows that the economic loss suffered by the group in the marked-to-market result would be, if this scenario materialized in the market, R$32.1 million.

Non-Trading Activity

Asset and liability management. We actively manage the market risks inherent in the banking book, mostly retail banking. Management addresses the structural risks of interest rates, liquidity and exchange rates.

The purpose of financial management is to make net interest revenue from our commercial activities more stable and recurrent, maintaining adequate levels of liquidity and solvency.

The financial management area analyzes structural interest rate risk derived from mismatches in maturity and revision dates for assets and liabilities in each of the currencies in which we operate. For each currency, the risk measured is the interest gap, the sensitivity of net interest revenue and the sensitivity of the economic value.

The global financial management area manages structural risk on a centralized basis. This allows the use of homogenous methodologies, adapted to each local market where we operate. In the euro-dollar area, the financial management area directly manages the risks of our parent and coordinates management of the rest of the units that operate in convertible currencies. There is a local team in Santander Brasil that manages balance sheet risks under the same frameworks, in coordination with the global financial management area. The asset and liability committees of each country and, when necessary, the markets committee of our parent are responsible for risk management decisions.

Quantitative Analysis of Interest Rate Risk in 2011

Convertible Currencies

At the end of 2011, the sensitivity of net interest margin at one year, to a parallel rise of 100 basis points in the local yield curve was R$263 million.

In addition, at the end of 2011, the sensitivity of net worth to parallel rises of 100 basis points in the yield curves was R$1,492 million in the local currency yield curve.

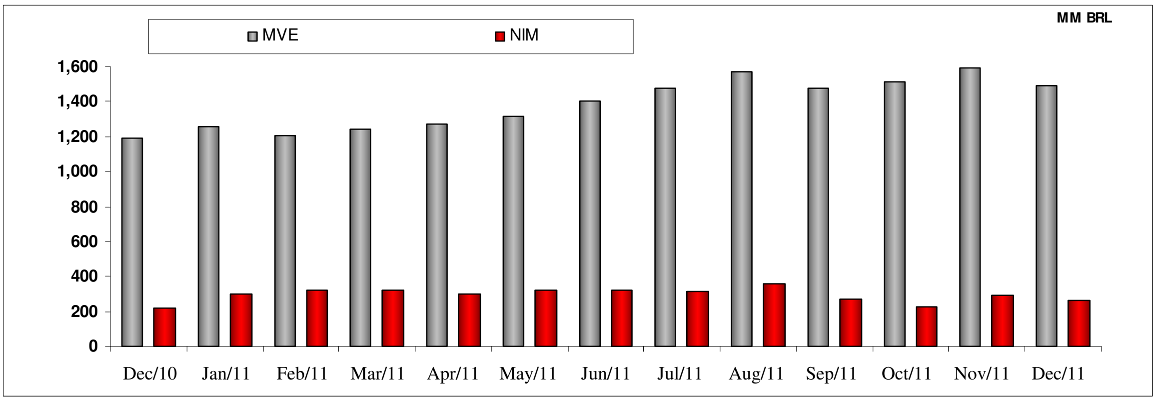
Structural Gap

The following table shows the managerial gaps between the re-pricing dates of our assets and liabilities in December 30, 2011.

	Total	0-1 month	1-3 months	3-6 months	6-12 months	1-3 years	3-5 years	> 5 years	Not Sensitive
Structural Gap					(in millions of R$)				
Money Market	161,496	66,851	8,484	7,813	11,616	25,182	15,985	18,076	7,491
Loans	173,890	37,776	21,976	26,507	29,071	47,057	7,035	4,332	137
Permanent	28,208	-	-	-	-	-	-	-	28,208
Other	104,007	39,015	-	-	-	-	-	-	64,992
Total Assets	467,602	143,642	30,460	34,320	40,687	72,239	23,020	22,408	100,828
Money Market	(162,619)	(125,071)	(1,390)	(536)	(2,137)	(14,381)	(7,474)	(11,630)	-
Deposits	(120,571)	(69,866)	(1,140)	(417)	(46,344)	(1,362)	(730)	(350)	(362)
Equity and Other	(184,412)	(40,457)	(4,557)	(4,417)	(3,537)	(204)	(8)	-	(131,232)
Total Liabilities	(467,602)	(235,393)	(7,087)	(5,370)	(52,018)	(15,948)	(8,212)	(11,981)	(131,594)
Balance Gap	-	(91,751)	23,373	28,949	(11,331)	56,291	14,808	10,427	(30,766)
Off Balance Gap	-	17,270	(14,950)	(2,710)	(925)	3,761	(3,106)	660	-
Total Structural Gap	-	(74,482)	8,423	26,240	(12,256)	60,052	11,702	11,087	(30,766)
Accumulated Gap	-	(74,482)	(66,059)	(39,819)	(52,075)	7,978	19,679	30,766	-

The interest rate risk of our balance sheet management portfolios, measured by the sensitivity of market value to a parallel movement of 100 basis points, increased R$299 million in 2011, obtaining the highest level of R$1,596 million in November 2011. Increased sensitivity in 2011 was influenced primarily by the growth in the lending portfolio of R$18 billion, increasing MVE in the amount of R$194 million and the sale of Santander Seguros, increasing MVE in the amount of R$97 million.

The following chart shows our net interest margin, or "NIM", and equity, or "MVE", sensitivity during each month in 2011.



Interest Rate Risk Profile at December 30, 2011

The currency gap tables below show the managerial distribution of risk by maturity and currency in Brazil as of December 30, 2011 (in millions of R$).

	Total	0-1 month	1-3 months	3-6 months	6-12 months	1-3 years	3-5 years	> 5 years	Not Sensitive
Gaps in local currency									
Money Market	138,859	61,000	8,359	7,795	10,593	22,172	11,919	9,572	7,448
Loans	148,663	35,254	18,374	18,234	22,130	45,347	5,059	4,246	18
Permanent	28,051	-	-	-	-	-	-	-	28,051
Others	70,853	5,699	-	-	-	-	-	-	65,154
Total Assets	386,425	101,953	26,733	26,030	32,723	67,520	16,978	13,818	100,671
Money Market	(137,175)	(122,339)	(491)	(435)	(495)	(10,722)	21	(2,714)	-
Deposits	(117,060)	(67,286)	(312)	(354)	(46,325)	(1,362)	(708)	(350)	(362)
Equity and Other......	(135,440)	(4,035)	-	(350)	-	-	-	-	(131,055)
Total Liabilities........	(389,674)	(193,659)	(803)	(1,139)	(46,821)	(12,085)	(687)	(3,064)	(131,417)
Off-Balance Gap......	16,588	6,078	708	(1,996)	(2,350)	4,270	(2,497)	(800)	13,174
Gap	13,339	(85,628)	26,638	22,895	(16,447)	59,705	13,794	9,954	(17,572)

	Total	0-1 month	1-3 months	3-6 months	6-12 months	1-3 years	3-5 years	> 5 years	Not Sensitive
Gaps in foreign currency									
Money Market	22,638	5,851	124	18	1,023	3,010	4,066	8,504	43
Loans	25,227	2,522	3,602	8,272	6,941	1,709	1,976	86	119
Permanent	158	-	-	-	-	-	-	-	158
Others	33,154	33,316	-	-	-	-	-	-	(152)
Total Assets	81,177	41,689	3,727	8,290	7,963	4,719	6,042	8,590	157
Money Market	(25,444)	(2,732)	(899)	(101)	(1,642)	(3,659)	(7,495)	(8,916)	-
Deposits	(3,512)	(2,580)	(828)	(63)	(19)	-	(22)	-	-
Equity and Other......	(48,973)	(36,422)	(4,557)	(4,068)	(3,537)	(204)	(8)	-	(177)
Total Liabilities........	(77,928)	(41,734)	(6,284)	(4,232)	(5,197)	(3,863)	(7,525)	(8,916)	(177)
Off-Balance Gap......	(16,588)	11,191	(15,658)	(714)	1,425	(509)	(609)	1,460	(13,174)
Gap	(13,339)	11,146	(18,215)	3,344	4,192	347	(2,092)	1,133	(13,194)

Market Risk: VaR Consolidated Analysis

Our total daily VaR as of December 30, 2011 and December 31, 2010, broken down by trading and structural (non-trading) portfolios, is set forth below. The VaR data for trading and non-trading portfolios of Santander Brasil were summed and does not reflect the diversification effect.

	At December 30,				
	2011				2010
	Low	Average	High	Period End	Period End
	(in millions of R$)				
Trading	9.63	21.74	45.29	19.52	20.6
Non-trading	251.8	303.12	362.7	251.8	351.86
Diversification effect	-	-	-	-	-
Total	**261.43**	**324.86**	**407.99**	**271.32**	**372.46**

Note: VaR figures for trading and non-trading portfolios were summed, thus disregarding the diversification effect.

Our daily VaR estimates of interest rate risk, foreign exchange rate risk and equity price risk were as set forth below.

Interest Rate Risk

	At December 30,				
	2011				2010
	Low	Average	High	Period End	Period End
	(in millions of R$)				
Interest rate risk					
Trading	9.07	19.94	41.31	18.72	20.18
Non-trading	251.8	303.12	362.70	251.80	351.86
Diversification effect	-	-	-	-	-
Total	**260.87**	**323.06**	**404.01**	**270.52**	**372.04**

Note: VaR figures for trading and non-trading portfolios were added, thus disregarding the diversification effect.

Foreign Exchange Rate Risk

	At December 30,				
	2011				2010
	Low	Average	High	Period End	Period End
	(in millions of R$)				
Exchange rate risk					
Trading	0.98	7.82	26.52	1.68	14.41
Non-trading	N.A.	N.A.	N.A.	N.A.	N.A.
Diversification effect	-	-	-	-	-
Total	**0.98**	**7.82**	**26.52**	**1.68**	**14.41**

Note: VaR figures for trading and non-trading portfolios were added, thus disregarding the diversification effect.

Equity Price Risk

	At December 30,				
	2011			2010	
	Low	Average	High	Period End	Period End
	(in millions of R$)				
Equity price risk					
Trading	1.46	5.71	14.19	4.80	3.80
Non-trading	N.A.	N.A.	N.A.	N.A.	N.A.
Diversification effect	1.46	5.71	14.19	4.80	3.80

Note: VaR figures for trading and non-trading portfolios were added, thus disregarding the diversification effect.

Our daily VaR estimates by activity were as set forth below.

	At December 30,				
	2011			2010	
	Low	Average	High	Period End	Period End
	(in millions of R$)				
Trading					
Interest rate risk	9.07	19.94	41.31	18.72	20.18
Exchange rate risk	0.98	7.82	26.52	1.68	14.41
Equity	1.46	5.71	14.19	4.80	7.63
Total	9.63	21.74	45.29	19.52	20.60
Non-trading interest rate					
Interest rate	251.8	303.12	362.7	251.8	351.86
Non-trading foreign exchange					
Exchange rate	N.A.	N.A.	N.A.	N.A.	N.A.
Non-trading equity					
Equity	N.A.	N.A.	N.A.	N.A.	N.A.
Total	261.43	324.86	407.99	271.32	372.46
Interest rate	260.87	323.06	404.01	270.52	372.04
Exchange rate	0.98	7.82	26.52	1.68	14.41
Equity	1.46	5.71	14.19	4.80	7.63

Note: VaR figures for trading and non-trading portfolios were added, thus disregarding the diversification effect

Management of Operational Risks, Technological Risks and Business Continuity

The management and control model is not only a competitive driver but also a strategic factor for us. The model is applicable to all employees in their daily activities. In addition, it ensures alignment and compliance with corporate Santander Group guidelines, the New Basel Capital Accord – BIS II, CMN resolutions, local regulatory bodies and the provisions of the Sarbanes-Oxley Act.

Operational Risk Objectives

To accomplish our operational risk objectives, we have adopted the following organizational structure, which is part of our corporate governance framework:

- Executive Operational Risks Committee—The Committee is an independent senior committee, with decision-making autonomy. This committee is responsible for defining the strategies and guidelines throughout Santander Brasil for the management and control of operational, technological and business continuity risks;

- Operational Risk Unit— The Operational Risk Unit is comprised of four departments: Information Security, Special Occurrences (fraud investigation), Intelligence and Fraud Prevention and Operational and Technological Risks. Responsibilities include a commitment to disseminate the culture, defining methodologies, standards, policies, tools, training and procedures applicable to and required for the effective and efficient management and control of the operational risk; and

- Operational and Technological Risks Department— The Department is responsible for ensuring the soundness of operational and technological risk management practices throughout the organization in addition to guarantying business continuity management for contingencies. The area assists managerial staff in meeting their strategic objectives, strengthening the decision-making process and optimizing execution of daily activities. The Department contributes to preventing and reducing operational risk losses, and also provides the best practices for operational risk management as well as to be in compliance with regulatory requirements.

In 2011, we focused on technological stabilization to full integration with Banco Real. These efforts have improved our internal control environment and have strengthened our operational risk culture. In addition, one of our other primary areas of emphasis was external fraud mitigation and prevention.

Another important step among our operational risk objectives was to integrate business continuity management within our disaster recovery plan for scenarios of technological unavailability to strengthen our business areas' ability to respond to technical disruptions as well as to minimize the impacts of any such disruptions to us and our stockholders.

Environmental and Social Risk

We have an environmental and social risk management system for analyzing clients in the Wholesale Banking segment. Under this system, borrowers with credit limits and/or risk greater than R$1.0 million are screened for environmental and social concerns, such as contaminated land, deforestation, labor violations and other major environmental and social issues for which there are potential legal penalties. In 2011, we screened approximately 1,100 corporate customers, including about 8 major new projects, for these types of risks. A specialized team with backgrounds in biology, geology, health and safety engineering and chemistry monitors our customers' environmental practices, and our financial analysts assess the damage that unfavorable environmental conditions may cause to our customers' financial condition and collateral, among other effects. Furthermore, Wholesale Banking segment clients, when starting their commercial relationship with the bank, are screened for environmental and social concerns by the new clients' acceptance area. Our monitoring activity focuses on preserving our capital and our reputation in the market. We constantly train our credit and commercial areas about how apply environmental and social risk standards in credit approval process for companies.

INDUSTRY

Brazilian Banking Industry

The Brazilian financial system has experienced an important structural shift, from the high inflation environment in the 1980s and early 1990s towards greater monetary and macroeconomic stability since 1994, with the introduction of the *Plano Real*, a set of measures taken by the government to stabilize the economy. Prior to 1994, the banking industry benefited from high inflation rates (which, according to the Brazilian Central Bank, reached 34.7% of the sector's total revenue at its peak) and was characterized by the strong presence of state-owned banks and regulatory limitations on the participation of foreign financial institutions, resulting in lower competitiveness and generally inefficient cost structures. The monetary stability achieved in 1994 led to a continuous increase in the demand for credit in Brazil. This increase, combined with the loss of inflationary gains, pressured the banking industry to improve operational efficiency, resulting in a period of consolidation. The Brazilian government actively monitored this process through the creation of programs designed to protect savings, including measures to ensure the system's solvency, reduce the participation of state-owned institutions, and strengthen competition among private banks. The federal government also reduced restrictions on the entry of foreign banks into the Brazilian market and, as a result, their market share increased significantly.

Main Market Players

According to data published by the Brazilian Central Bank, as of February 2012, there were 139 multiple service banks, 21 commercial banks, 14 investment banks and numerous brokerage firms, financing firms and other financial institutions in Brazil. In recent years, the Brazilian financial industry has experienced a series of acquisitions and mergers, which resulted in an increasing consolidation of the financial industry. In August 2008, we completed the acquisition of Banco Real, significantly increasing our presence in Brazil.

Public Sector

Despite the process of privatization and consolidation in the banking industry, the Brazilian federal and state governments still control major commercial banks and other financial institutions. Government-owned banks play an important role in the Brazilian financial system, representing 40% of the banking system's credit (BNDES not included) and 49% of cash deposits as of June 2011. Government-owned banks also have a stronger presence in markets such as mortgage loans and agricultural credit than privately owned banks and act as regional development agencies.

The three main financial institutions controlled by the federal government are:

- Banco do Brasil, a multi service bank offering a wide range of banking products to both the public and private sectors, and the Brazilian government's main financial agent;
- Caixa Econômica Federal, the federal savings bank, a multi service bank involved mainly in taking deposits, providing home loans and financing urban infrastructure projects; and
- BNDES, which offers medium and long term financing to the Brazilian private sector, particularly the industrial sector. BNDES offers financing directly and indirectly through on-lending to other financial institutions in the public and private sectors.

Private Sector

The main private sector financial institutions in the Brazilian financial system are:

- full service banks, which are licensed to provide a full range of commercial and investment banking services, including distributing and trading securities, consumer finance and other services;
- commercial banks, which are primarily engaged in wholesale and retail banking, some of which have relevant regional distribution networks or significant participation in specific niche markets. They are particularly active in accepting demand and time deposits as well as providing working capital loans; and

- investment banks, which are primarily engaged in underwriting securities and structuring transactions.

The Financial Crisis and the Brazilian Central Bank's Response

After the Lehman Brothers bankruptcy in September 2008, the global financial markets experienced a sharp decline. In an environment of increasing risk aversion and high volatility, investors and depositors turned to quality that has benefited the large Brazilian full service banks. Mid- and small-sized banks, most of which had their funding sources concentrated in time deposits from institutional investors, soon started to suffer from lack of appropriate funding and had to take measures to sustain liquidity. These measures included the reduction or even the termination of the generation of new credit and the sale of outstanding loan portfolios to large full-service banks. Some market participants decided to exit from entire niches given the lack of appropriate and stable funding sources.

In order to increase confidence in the financial system, the Brazilian Central Bank announced in 2008 and 2009 several initiatives to boost liquidity and support the mid sized banks, including: (1) a change in the compulsory requirements of demand deposits and time deposits, (2) delays in the compulsory payment schedule, (3) an increase in the portion of compulsory deposits that could be released to acquire credit portfolios from other banks, and (4) the amendment to the by-laws of the Credit Guarantee Fund (*Fundo Garantidor de Crédito* or "FGC"), in order to provide insurance on deposits of up to R$20 million. In the beginning of 2010, the Brazilian Central Bank reverted some of the rules related to compulsory requirements to the levels that were in place before the financial crisis, and as of late 2011 had reintroduced certain additional incentives for the acquisition of credit portfolios from smaller banks.

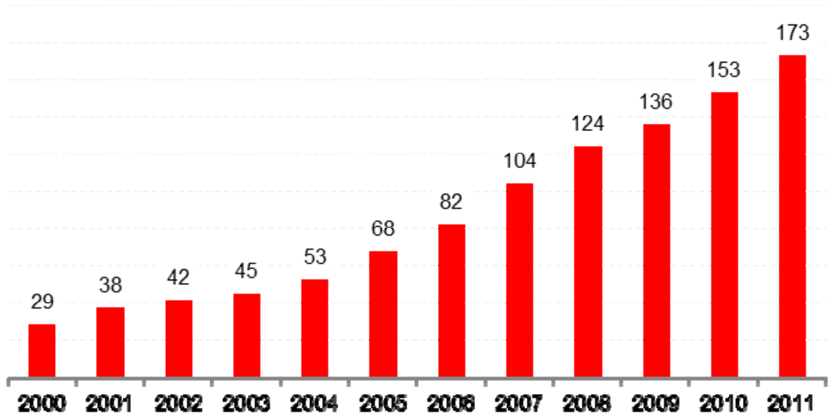
The Brazilian full-service banks largely benefited from this flight to quality by acquiring loan portfolios at attractive prices and experiencing a reduction in the competition from other banks that were active in specific niches, (such as payroll loans, automobile financing and SME credit), prior to the crisis.

Recent Developments

The successful macroeconomic policy implemented by the Brazilian government during recent years contributed to an increase in demand for credit in Brazil. The three basic principles of floating exchange rates, fiscal surplus and inflation targets created an environment of stability that permitted the reduction in interest rates and improvement of the government debt profile. Those factors had a direct impact on the overall real income of the population and as a consequence, on the increase in the penetration of banking products and services in Brazil. According to the Institute for Applied Economic Research, or "IPEA", Brazilian annual GDP per capita has more than doubled from R$9,511 in 2003 to R$21,254 in 2011. Also, according to the IBGE, the Brazilian unemployment rate decreased from 12.3% in 2003 to 6.0% in 2011.

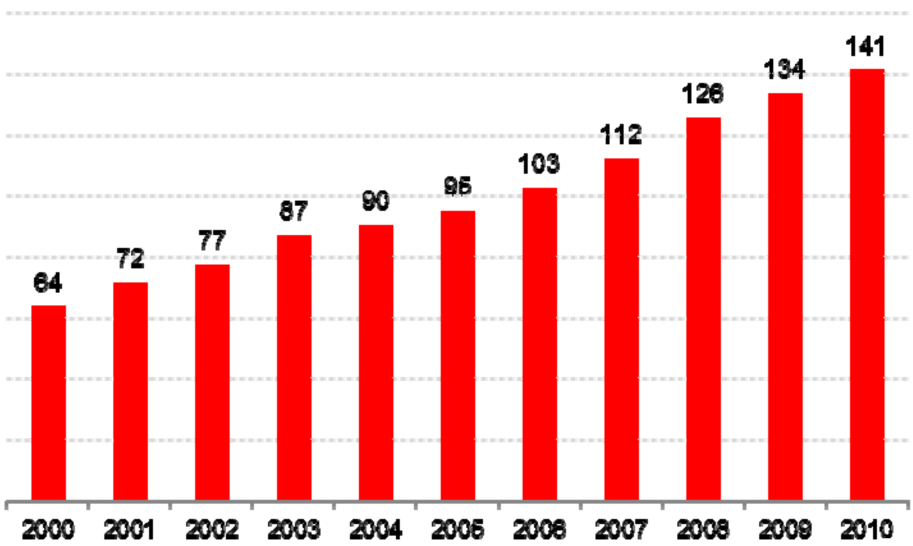
This increase in penetration of financial services can be seen in the increase of two products that are key to banking relationships. Between 2000 and 2010, nearly 80 million checking accounts were opened in Brazil, equivalent to a compounded annual growth rate, or "CAGR", of 8.3%. During the same period, the number of credit cards grew by more than four times, from 28.9 million to 136.2 million, equivalent to a CAGR of 19.0%. Estimates from ABECS indicate that credit card growth has remained strong in 2011, with an increase of 22% in comparison to the previous year, reaching a total amount of 173 million issued cards.

Credit Cards (million)



Source: ABECS

Checking Accounts (million)



Source: FEBRABAN

Credit Market in Brazil

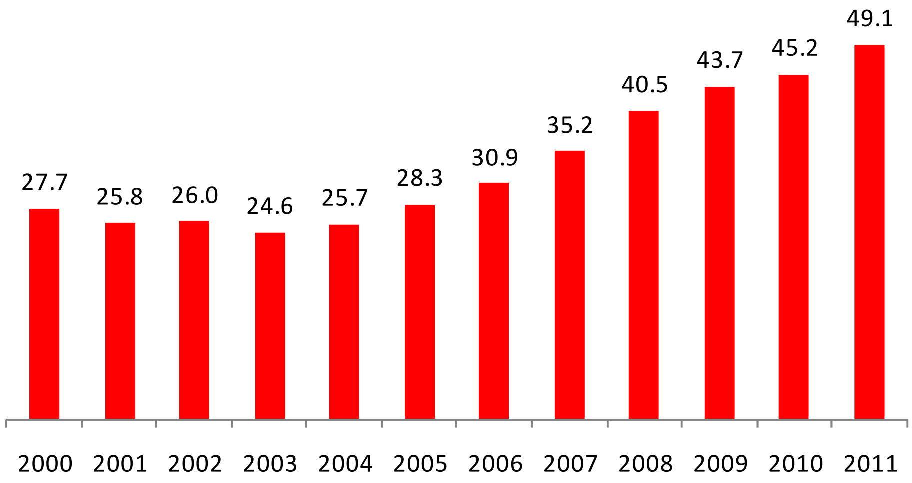
The Brazilian credit market is comprised of two major types of loans: (1) mandatory or earmarked credit, which is subject to government controlled interest rates and follows rules for funding and destination defined by law (including BNDES loans); and (2) market-based credit which is not subject to constraints regarding interest rates. By December 31, 2011, of the total R$2,030 billion in outstanding credit in Brazil, 64.2% of the portfolio consisted of market-based credit.

	2011	2010	2009
		(in Billions of *Reais*)	
Total Credit Outstanding	**2,030**	**1,706**	**1,414**
Earmarked credit(1)	727	590	460
Market based credit	1,303	1,116	955
of which:			
corporate	651	556	485
individuals (retail)	652	560	470

Source: Brazilian Central Bank
Note: some figures may be subject to revision by the Brazilian Central Bank
(1) Includes loans that are subject to government controlled interest rates and the funding of which are targeted toward specific programs or industries as mandated by rule (for example, BNDES loans).

Despite the steady increase in credit penetration experienced in recent years, the Brazilian financial market still presents a relatively low credit penetration as compared to that of other developed and emerging markets.

Total Credit as a percentage of GDP



Retail Credit

According to data disclosed by the Brazilian Central Bank, the total outstanding market-based consumer credit increased at an average compounded rate of 19.7% per year from December 31, 2007 to R$652 billion at December 31, 2011, or 32.1% of all outstanding credit in Brazil. On the same date, personal credit and auto financing accounted for 37.4% and 26.5%, respectively, of all outstanding consumer credit.

The table below shows the growth of consumer credit outstanding, by product.

	2011	2010	2009	% Change (2011 vs. 2010)
		(in billions of R$, except percentages)		
Overdraft Accounts	18.9	16.3	15.8	16.5%
Personal Credit	244.1	204.9	164.3	19.1%
Credit Card	35.7	29.2	25.7	22.2%
Mortgage Financing	13.9	7.4	4.5	89.4%
Consumer Goods (excluding autos)	9.4	10.4	9.4	(9.5%)
Autos	172.9	140.3	94.1	23.2%
Leasing	27.7	45.6	63.2	(39.3%)
Others	129.4	106.0	92.9	22.0%

	2011	2010	2009	% Change (2011 vs. 2010)
Total	**652.0**	**560.0**	**469.9**	**16.4%**

Source: Brazilian Central Bank

Payroll loans are an alternative source of unsecured consumer credit in Brazil. Because installment payments are deducted directly from the borrower's payroll, interest rates are lower than those charged on traditional credit lines. According to the Brazilian Central Bank, payroll loans have a low level of default and represent the fastest-growing type of consumer credit in Brazil. Historically, the cost of access to more traditional credit facilities has been high, for various reasons, including competition within the banking industry, legal and institutional limitations and the nature of the credit risks. As a more attractive alternative to unsecured consumer credit, payroll loans have replaced some of the traditional consumer credit products.

The vehicle financing market is dominated primarily by the major retail banks that are gradually taking over this market, which was once dominated by the financing arms of automakers. The interest rates in this market are very competitive, and access to an attractive source of financing is an important advantage. The smaller institutions acting in this market in most cases focus on pre-owned vehicle lending products. Default rates are relatively low as compared to other credit lines, and the loans are secured by the goods being financed. Credit card financing is dominated by the major retail banks that operate their own labels associated with international labels such as MasterCard and Visa. This type of financing has relatively high levels of default; as a result, interest rates are also higher than that of other credit lines.

Corporate Credit

The heritage of high inflation and the lack of long-term credit lines to Brazilian corporations resulted in an overall relatively low level of corporate leverage. Despite that, according to the Brazilian Central Bank, the volume of corporate credit (including regulated funds) increased significantly from R$695 billion in December 2008 to R$1,090 billion in December 2011, representing an average CAGR of 16.2%. Of the total amount, loans of up to R$100 thousand and between R$100 thousand and R$10 million represent respectively 14.8% and 39.3% of total corporate credit.

Mortgage Financing

The mortgage market is still developing in Brazil, with total credit lines for corporate and individual customers applied to the acquisition, construction and management of real property accounting for only 6.4% of the country's GDP as of December 2011, according to the Brazilian Central Bank. The level of real estate financing in Brazil has been growing rapidly due to structural changes in the economy and government action aimed at stimulating growth of the housing construction sector, as a means to address the housing shortage and provide employment. The government has adopted a number of important policies with the aim of bolstering real estate demand through tax incentives and expanding the home loan market, including:

- tax incentives and exemptions;
- increasing house builders' security by offering guarantees on properties; and
- increasing home buyers' security through a special tax system that separates the house builders' assets from the specific building projects' assets; and simplifying and intensifying the enforcement of foreclosure laws.

Asset Management

The asset management industry in Brazil has been growing at significant rates in recent years. According to ANBIMA, total assets of the industry grew around 18.0%, from R$1.7 trillion in 2010 to R$2.0 trillion in 2011. Since 2002, the investment fund industry has undergone material changes, resulting from regulations that assigned the supervision of this activity to the CVM. These regulations encouraged market players to adopt better corporate governance practices and increase transparency in the management of investment funds.

The asset management industry in Brazil is concentrated among fund managers controlled by large financial conglomerates, making access to retail distribution channels particularly important for the industry. The main clients of this industry are institutional investors, such as private pension entities, insurers and private banking clients. Some of the main drivers that contribute to the growth of the asset management industry are:

- economic stability in Brazil and increased disposable income and savings;
- expansion of the insurance and private pension markets influenced, in part, by the growth of products such as private pension plans (for example, both VGBL and PGBL) whose assets increased the volume of assets under management of the Brazilian mutual fund industry;
- improved credit ratings of Brazilian issuers;
- increased access to financial products offered over the internet;
- refinements to Brazilian mutual fund regulations; and
- improved conditions in the Brazilian capital markets.

BUSINESS

History

Santander Group in Brazil

The Santander Group has expanded globally through a number of acquisitions and the successful integration of the acquired businesses to achieve synergies.

In 1957, the Santander Group first entered the Brazilian market through an operating agreement with Banco Intercontinental do Brasil S.A. Since the 1990s, the Santander Group has sought to establish a strong Latin American presence, particularly in Brazil. The Santander Group pursued this strategy through organic growth as well as acquisitions. In 1997, the Santander Group acquired Banco Geral do Comércio S.A., a medium-sized retail bank, which subsequently changed its name to Banco Santander Brasil S.A. In the following year, the Santander Group acquired Banco Noroeste S.A. to further strengthen its position as a retail bank in Brazil. In 1999, Banco Noroeste was merged into Banco Santander Brasil. In January 2000, the Santander Group acquired Banco Meridional S.A. (including its subsidiary Banco Bozano, Simonsen S.A.), a bank active in retail and wholesale banking primarily in Southern Brazil.

The Santander Group has consistently demonstrated its ability to execute significant acquisitions in Brazil, integrate the acquired companies into its existing business and improve the acquired companies' operating performance. This was the case, in particular, with the acquisition in November 2000 of Banespa, a bank owned by the State of São Paulo. Through this acquisition, the Santander Group transformed itself into one of Brazil's largest financial groups with strong retail and wholesale banking, with operations present in all Brazilian regions, strategically positioned in the south and southeast. Following the acquisition, the Santander Group implemented an information technology modernization at Banespa. Within a year of the acquisition, Banespa's efficiency ratio improved significantly.

Despite operating in Brazil under different legal entities, Santander Brasil has had centralized management and administrative functions in Brazil since 2000. In 2006, Santander Brasil, following shareholder and Brazilian Central Bank approval, consolidated its investments into one entity, Banco Santander Banespa S.A., which was later renamed Banco Santander (Brasil) S.A., thereby simplifying our corporate and tax structure, improving our operating efficiency and reducing administrative costs through the integration and upgrade of the different information technology platforms. In 2007, the Santander Group implemented a brand unification program.

Banco Real Acquisition

On November 1, 2007, RFS Holdings B.V., a consortium comprising Santander Spain, The Royal Bank of Scotland Group PLC, Fortis SA/NV and Fortis N.V. ("Fortis"), acquired 96.95% of the shares of ABN AMRO Holding N.V. (and together with ABN AMRO Bank N.V. "ABN AMRO"), the controlling shareholder of Banco Real. On December 12, 2007, the Brazilian antitrust authorities (Conselho Administrativo de Defesa Econômica, or CADE) approved without conditions the acquisition of ABN AMRO's Brazilian entities by the consortium. In the first quarter of 2008, Fortis and Santander Spain reached an agreement whereby Santander Spain acquired the right to the Brazilian asset management activities of ABN AMRO, which Fortis had acquired as part of the consortium's purchase of ABN AMRO. On July 24, 2008, Santander Spain took indirect share control of Banco Real, which it then incorporated into the Santander Group to consolidate its investments in Brazil. At shareholders meetings of each of Santander Brasil and Banco Real held on August 29, 2008, the acquisition by Santander Brasil of Banco Real's share capital was approved through a share exchange transaction (incorporação de ações), and Banco Real became a wholly-owned subsidiary of Santander Brasil. At the time of the share exchange transaction, Banco Real was the fourth largest private Brazilian bank in terms of assets. As a result of the share exchange transaction, we became the third largest private bank in Brazil in terms of assets, according to the Brazilian Central Bank. On April 30, 2009, Banco Real was merged into Santander Brasil and Banco Real ceased to exist as a separate legal entity. In October 2011, the merger was approved by the Brazilian Central Bank.

Business Overview

The following chart sets forth our operating segments and their main focus.

Commercial Banking	Global Wholesale Banking	Asset Management and Insurance
• Retail banking – Individuals – SMEs • Enterprises with annual gross revenues in excess of R$30 million but less than R$250 million • Corporations with annual gross revenues in excess of R$250 million (other than global corporate clients) • Consumer finance	• Global corporate clients, or GB&M • Treasury	• Asset management • Insurance brokerage

The following table sets forth the breakdown of our net interest income and profit before tax by operating segment.

	For the year ended December 31,					
	2011	**2010**	**2009**	**2011**	**2010**	**2009**
	Net interest income			**Profit before tax**		
	(in millions of R$)					
Commercial Banking	24,971	21,301	20,091	5,128	6,347	4,898
Global Wholesale Banking	2,589	2,501	1,943	2,947	2,818	2,689
Asset Management and Insurance	342	292	133	835	832	550
Total	**27,902**	**24,095**	**22,167**	**8,911**	**9,997**	**8,137**

Commercial Banking

Our Commercial Banking segment's activities include products and services for retail customers, enterprises and corporations (other than global corporate clients who are served by our Global Wholesale Banking segment) and our consumer finance business.

Retail Banking

Our retail banking customer base includes individuals, SMEs with annual revenues of less than R$30 million and certain government institutions. Individual customers are divided into private customers, a select group of clients with a minimum of R$3,0 million in assets available for investment, high income customers, with monthly income in excess of R$4,000; mid income customers, with monthly income between R$1,200 and R$4,000; and low income customers, with monthly income below R$1,200. We believe that our clear customer classifications allow us to target customers with products that fit their specific needs.

We follow different service models for each customer class:

- *Private banking*: We seek to provide our private banking customers personal service from a highly trained team in exclusive offices, with the objective of providing privacy and individualized service.

- *High-income customers*: Our model includes differentiated areas in our regular branches (Van Gogh area) and is based on personal relationships with our account managers.

- *Mid-income customers*: We use a multi-channel service model, supported by our account managers. We provide differentiated services to customers we view as upwardly mobile.

- *Low-income customers*: Our emphasis is on serving customers through alternative channels. In our branches, these customers are served under a standardized model through pools of managers, with a sales-oriented approach. Differentiated services are offered to customers we view as upwardly mobile.

- *SMEs*: For medium-sized enterprises, our model is centered on a relationship with the account manager while for small-sized enterprises, we rely more on multi-channel distribution. Special platforms are used to offer differentiated services to clients with a high earnings potential.

At December 31, 2011, our retail banking operations had approximately 25.3 million customers, consisting of approximately 24.1 million individuals and 1.1 million SMEs, an increase of 2.2 million customers in total in comparison with 2010. At December 31, 2011, we had approximately 9.3 million current account holders, consisting of approximately 8.7 million individuals and 0.6 million SMEs.

The range of products and services we offer to our retail customers includes:

- current accounts, saving accounts and time deposits;
- loans to individual customers, including consumer finance, personal loans and payroll loans;
- credit cards;
- loans to SMEs;
- agricultural loans;
- mortgages;
- leasing;
- insurance and asset management products;
- private retirement plans; and
- cash management services for SMEs.

This wide range of products, added to a complete service portfolio and a personalized treatment, will help us to achieve our goal of high quality and client satisfaction. To assist in the achievement of this goal, we started a new movement involving all areas of the Bank with the project Santander 3.1.

Deposit-Taking Activity

We offer our customers a variety of deposit products, such as:

- current accounts (also referred to as demand deposits), which do not bear interest;

- traditional savings accounts, which currently earn the Brazilian reference rate for savings accounts (*taxa referencial*) plus 0.5% per month, as set by the federal government; and

- time deposits, also known as certificates of bank deposits, or “CDBs”, which are highly liquid and earn interest at a fixed or floating rate.

In addition to representing a significant source of stable funding for us, we regard each account holder as a potential customer for the full range of products and services we offer.

Finally, we accept deposits from financial institutions as part of our treasury operations, which are represented by certificates of interbank deposit, or the Interbank Deposit Certificate (*Certificado de Depósito Interbancário* - or "CDI"), and which earn the interbank deposit rate.

The table below presents a breakdown of our deposits by product type at the dates indicated.

	At December 31,		
	2011	2010	2009
	(in millions of R$)		
Customer deposits			
Current accounts	13,561	16,132	15,140
Savings accounts	23,293	30,303	25,216
Time deposits	83,942	68,916	74,634
Repurchase Agreements	53,678	52,598	34,450
Total customer deposits	174,474	167,949	149,440
Deposits from the Brazilian Central Bank and credit institutions			
Time deposits	27,023	28,867	20,838
Demand deposits	133	344	195
Repurchase Agreements	24,371	13,180	164
Total	**51,527**	**42,391**	**21,197**

Credit Operations

The following table shows a breakdown of our credit portfolio by client category at the dates indicated.

	At December 31,			Change, December 31, 2011 vs. December 31, 2010	
	2011	2010	2009	R$ million	%
			(in millions of R$)		
Individuals	63,413	50,981	43,200	12,432	24.4
Consumer finance	30,459	26,969	25,101	3,490	12.9
Small and Medium Enterprises(1)	47,940	38,178	31,448	9,762	25.6
Corporations(2)	52,373	44,431	38,645	7,942	17.9
Total	**194,184**	**160,558**	**138,394**	**33,626**	**20.9**

(1) Companies with annual gross revenues of up to R$250 million.
(2) Companies with annual gross revenues exceeding R$250 million, including our global corporate clients.

Retail Lending

We offer our retail lending products to customers through our extensive branch network and on-site service units. See "—Distribution Network". We divide our customers into separate categories based mainly on their monthly income (for individuals) and annual gross revenues (for businesses). We tailor our products and services to the needs of each customer classification.

We make credit available to our customers through the various loan products listed in the table below. The table sets forth our managerial individual customer loan portfolio at the dates indicated.

	At December 31,			Change, December 31, 2011 vs. December 31, 2010	
	2011	2010	2009	R$ million	%
			(in millions of R$)		
Leasing/Auto Loans[1]	2,277	2,471	2,121	(194)	(7.9)
Credit cards	14,144	10,760	8,472	3,384	31.5
Payroll loans [2]	12,248	9,600	7,864	2,648	27.6
Mortgages	10,018	6,698	5,226	3,320	49.6
Agricultural Loans	2,492	2,817	3,073	(325)	(11.5)
Personal loans/Other	22,234	18,635	16,445	3,599	19.3
Total	**63,413**	**50,981**	**43,200**	**12,432**	**24.4**

(1) Including the loans to individuals in the consumer finance segment, the auto loan portfolio totaled R$27,556 million in the fourth quarter of 2011, R$24,173 million in the fourth quarter of 2010, and R$22,575 million in the fourth quarter of 2009.

(2) Including Payroll Loan acquired portfolio, Payroll loans totaled R$15,142 million in the fourth quarter of 2011, R$13,800 million in the fourth quarter of 2010 and R$10,084 million in the fourth quarter of 2009.

Payroll Loans

Payroll loans are a typical retail product with a differentiated method of payment. Monthly installments are deducted directly from the customer's payroll by their employer and then credited to the bank. We believe that this significantly reduces the credit risk. Our customers are typically employees from the public sector or state pension holders. No single entity is responsible for more than 10% of our payroll loans. This product represents approximately 24% of the retail credit market in Brazil. We had an approximate 7.8% of market share in payroll loans at November 30, 2011, according to the Brazilian Central Bank.

Credit Cards

We participate in the credit card market, issuing cards from the Visa and MasterCard brands to our customers (account and non-account holders). Our revenues from credit cards include administration fees, interest on unpaid balances, annuities and rates charged on cash advances.

We sell our credit cards through our branch network and direct sales (telemarketing, customer service centers and direct marketing campaigns). At December 31, 2011, the credit card business reported revenue growth of 11.3%, reaching an 11.8% market share (at November, 2011 according to the Brazilian Central Bank). Revenue from fees grew approximately 33.9% and the volume of the credit card financing portfolio increased 41.6% to R$4.3 billion.

Our strategy is based on increasing market share and profitability through product innovation and aggressive efforts to attract new customers. Since 2006, we have been launching credit card products designed to fit the needs of different customer profiles and targeted to encourage the demand for our products. These differentiated credit cards allowed us to increase our customer base by 8.2% in 2011.

We have launched a number of innovative products, including "Santander Light," a credit card with lower interest rates than other cards, and "Santander Reward," a credit card that offers cash back for a portion of the customer's expenditures. As part of our strategy to expand our customer base and increase product innovation, in 2011 we initiated partnerships with Raizen Combustíveis S.A. (a joint venture formed by Cosan and Shell) and with VIVO S.A., achieving a larger portfolio of differentiated and innovative products to meet our customers' needs.

Merchant Acquisition Market

In 2010, we launched, and in 2011 expanded, benefits of "*Santander Conta Integrada*" (Santander Integrated Account), an innovative financial solution for merchants that enables them to receive at a single terminal receivables related to transactions with Visa and MasterCard credit cards and/or debit cards as well as accept a variety of regional cards and providing differentiated rates and fees to SMEs based on their sales volume. The "*Santander Conta Integrada*" has a special credit line which gives the merchant access to credit to be used as working capital. We were the first Brazilian bank to integrate financial services with credit card transaction services.

The offer made through "*Santander Conta Integrada*" and the quality of our services has consolidated our position in the merchant acquisition market. In 2011, we associated more than 147,000 commercial establishments, reaching a total base of 240,000 establishments. Our volume of sales in 2011 was R$11 billion, growing our market share from 1.2% in 2010 to 2.7% in 2011.

Consumer Finance

We provide consumer finance products to deposit and non-deposit account holders through Aymoré Crédito, Financiamento and Investimento S.A. known as Santander Financiamentos, a financing company specializing in providing consumer credit directly to borrowers or through intermediate agencies.

At December 31, 2011, we had over 20,000 active dealers, 1,844 sales employees and 124 branches throughout Brazil. Our core business, vehicle financing, comprised approximately 83.0% of our consumer finance business at December 31, 2011, and we had a 13.5% market in terms of credit portfolio in the Brazilian vehicle finance business at the same date, according to the Brazilian Central Bank. We specialize in the financing of goods and services through customer direct credit. We also finance various products and services, such as computer equipment, building materials, tourism, furniture, hospital and dentistry equipment, and nautical equipment. We focus on offering fast credit approval, and our consumer finance business is supported by our long-standing relationships with important companies such as Renault, Peugeot, Citroën, Dell and CVC Viagens.

Mortgages

We offer loans to our customers for the purchase of real estate secured by deeds of trust. In 2005, we were the first bank in Brazil to offer a mortgage product with monthly fixed installments with a maturity of up to 10 years. We are now offering mortgages with a maturity of up to 30 years. We also offer credit lines to corporate customers in the real estate construction industry for the financing of up to 80% of the project construction cost. As of November 30, 2011, we had a 7.3% market share in Brazil in terms of amounts outstanding, according to the Brazilian Central Bank.

In addition, as a result of the acquisition of Banco Real and our strategy of launching innovative products, we believe we have achieved a leading position among private banks in the housing loan sector. For example, we have used the Santander Group's expertise in certain products which have been successful in other countries to launch the first mortgage loan offered by a private bank in Brazil with fixed or inflation-index linked installments with a 30-year maturity. At December 31, 2011, total housing loans, including new construction loans, amounted to R$10.0 billion, representing approximately 15.8% of our retail portfolio compared to 13.1% in 2010.

On average, the loan-to-value ratio of our housing loans is 55%. We do not offer mortgage loans that do not meet the prime standards, that is, we do not make any loans for more than 80% of the value of the property to be purchased, borrowers must meet certain minimum monthly income levels as evidenced by recent payroll information and tax returns, and payments may not exceed 27% of borrowers' monthly income. Borrowers must provide satisfactory documentary evidence to confirm their employment or other types of revenue and to otherwise evaluate their credit risk profile.

Corporate Lending (for Customers Served by our Commercial Banking Segment)

We offer a wide range of credit products to our corporate customers, including general corporate and working capital financing, lease financing and foreign trade financing, as well as deposit-taking and other services. As of December 31, 2011, we had approximately 1.1 million SME customers, approximately 5,100 enterprise customers, which we define as companies with annual gross revenues of between R$30 million and R$250 million, and 700 GB&M customers that are part of our global relationship model. Our corporate customers include companies across all industry sectors. Our SME and corporate client coverage is handled by our officers who are allocated according to customers' geographic location. We have client coverage officers in all the main economic hubs, throughout Brazil.

The table sets forth our managerial retail corporations' loan portfolio at the dates indicated.

	At December 31,			Change, December 31, 2011 vs. December 31, 2010	
	2011	2010	2009	R$ million	%
	(in millions of R$)				
Agricultural lending	117	112	156	5	4.3
Working capital loans	16,776	12,442	9,138	4,324	34.8
Buyer financing	85	38	31	47	123.0
Vendor financing	3	2	10	1	37.2
Discounted receivables	740	533	428	207	38.8
Comex	302	202	201	100	49.4
Overdraft facility	4,029	3,647	3,084	381	10.5
Refinancing	3,189	2,793	3,169	396	14.2
Resolution 2,770	38	58	115	(20)	(35.1)
Account overdraft loans	2,638	1,798	1,341	839	46.7
CDC/leasing(1)	2,323	2,551	2,466	(228)	(8.9)
Other(2)	2,191	2,141	2,072	50	2.3
Total(3)	**32,419**	**26,318**	**22,210**	**6,102**	**23.2**

(1) Does not include Consumer Finance.
(2) Includes credit cards, mortgage finance products and other products.
(3) Includes small and medium companies with annual gross revenues of up to R$30 million.

BNDES On-Lending

We provide medium- and long-term financing for the development of investment projects, the commercialization of machinery and equipment, exports and working capital. On these transactions, we act as the Accredited Financial Institution, transferring resources from BNDES to customers, according to the rules and credit limits previously set.

BNDES resources come from the Social Integration Program (*Programa de Integração Social*), or PIS/PASEP, the Worker Aid Fund (*Fundo de Amparo ao Tabalhador*), or FAT, the National Treasury and others. These resources are devoted to finance the economic growth of the country by financing expansion projects, modernization and infrastructure adequacy, including the acquisition of machines, equipment and heavy vehicles. These financings are generally granted at attractive interest rates and with a maturity rate of up to ten years, exceeding the available maturity for most other transactions in Brazil.

By financing loans with BNDES resources, Santander Brasil does not take risks on rates. We take, however, the borrowers' credit risks and therefore we apply the same credit analysis criteria that we use for our other loans. This product is offered to every segment, including our Global Banking & Markets clients.

Agricultural Lending

We offer three different lines of credit for agribusinesses:

- "*Crédito Rural*" and "CPR" (*Cédula de Crédito Rural)* are products to finance working capital. Basically, CPR is an advanced sale of future production in what essentially amounts to a futures contract. We are the main private bank to offer these products which provide credit based on future revenues and may be used to provide funds to buy agribusiness inputs and to cover storage and sales expenses. Loans are usually secured by mortgages on crops and equipment.

- We act as an agent to lend funds provided by BNDES through government agricultural programs to fund machinery and equipment, fixed assets and permanent plantations such as sugar cane fields, orange groves and coffee plantations.

- We also provide products to fund low carbon agricultural activities in order to stimulate sustainable activities that will increase the share of production with a low environmental impact.

Due to our established presence in this sector, such loans represent an important portion of our total credit portfolio.

We also offer to our agribusiness customers other related services and products, such as funds for general working capital, account overdraft loans, fund management, leasing and insurance.

As determined by the Brazilian Central Bank, Brazilian banks may use funds from their compulsory deposits at a fixed rate of 6.75% per annum to fund agribusiness loans. Brazilian Central Bank regulations require banks to apply at least 28.0% of cash deposits to agribusiness loans. If a bank is unable to meet this threshold, it is required to transfer the surplus amount to a non-interest bearing account with the Brazilian Central Bank.

Account Overdraft Loans

Account overdraft loans (*cheque especial*) are made available under an overdraft facility, subject to a limit for each customer established based on a dynamic scoring system. It is an unsecured product and, therefore, carries a higher interest charge than any of our other financing operations.

Our overdraft product has an important advantage since it allows our customer to borrow funds for up to ten days per month without interest. This feature has contributed to the consistent growth of our overdraft credit portfolio and has contributed to a strong market share.

Leasing

We provide leasing for motor vehicles (including cars and vans), machinery, equipment and other items for personal and business-related use. Our total leasing portfolio at December 31, 2011 totaled R$6.5 billion, comprised of R$5.7 billion in motor vehicles and R$0.8 billion in machinery, equipment and other items for personal and business-related use. Lease credit applications are subject to the same approval process as other individual or corporate credit operations, with initial analysis undertaken at the branch that originates the transaction. If the customer is a corporate customer, a successful application is sent to the Credit Risk Department for further review. Lease terms are typically for a period between two and five years.

Private Banking

The private banking business serves a select group of clients with a minimum of R$3.0 million in assets available for investment. We aim to understand our clients' short- and long-term objectives, needs and risk tolerance. Our relationship managers work to develop an ongoing partnership offering the most compatible solutions for each client profile. The private banking business offers to its clients a comprehensive range of financial products, banking services, tax planning and advisory services that provide recommendations on investments and asset allocation.

In 2011, we opened four new private banking offices, one each in São Paulo, Belo Horizonte, Rio de Janeiro and Curitiba to allow customers to perform all banking transactions in a private environment. As of December 31, 2011, our private banking business had approximately 8,500 private banking accounts and managed approximately R$33.8 billion in assets.

Global Wholesale Banking

We are a leading wholesale bank in Brazil and offer financial services and sophisticated and structured solutions to our customers. In 2011, we have maintained our focus on four core pillars: (1) strengthening customer relationships, (2) emphasizing performance and productivity to ensure growth, (3) managing risk profiles, and (4) solidifying the recognition of our global brand for product distribution.

Our wholesale banking business focuses on Global Banking & Markets customers, approximately 700 large Brazilian companies and multinational conglomerates, including the largest companies in Brazil. We also serve multinational subsidiaries of our global clients. Our clients in this business span a range of industries, including energy and resources, telecommunications, financial, construction, infrastructure, agriculture, retail, industrial (including automobile manufacturers) and service sectors. Coverage of these clients is allocated by industry.

Our wholesale banking customers benefit from the global structure of services provided by the Santander Group with its worldwide integrated wholesale banking network, global services solutions and local market expertise. The Santander Group has a global account management structure with presence in Europe, the United States and elsewhere in Latin America. This structure allows services to be provided in an integrated fashion. Our wholesale business provides our customers with a wide range of domestic and international services, and seeks to provide solutions specifically tailored to the needs of each customer. The Global Wholesale Banking segment's products and services are available not only to our GB&M clients, but also to corporate and SME customers.

The main products and services we provide are:

- Global Transaction Banking, which includes cash management, local loans and bank guarantees, trade finance, global custody and securities services and guarantees (both trade and non-trade) and trade services;

- Credit Markets, which includes origination units, distribution of structured credit and debt products, debt capital markets, project finance and asset and capital structuring;

- Corporate Finance, which includes mergers and acquisitions and equity capital markets;

- Equities, which includes equity derivatives, exchange traded derivatives, cash equities and equity research;

- Rates, which offer our customers derivative products, foreign exchange transactions (including for individuals) and other financial products and structures;

- Market Making, which is responsible for the pricing of client deals originated by the sales force from our corporate, institutional, private banking and retail operations; and

- Proprietary Trading, which is responsible for the management of our proprietary books and the establishment of a relevant presence as a leading liquidity provider across all local markets.

Global Transaction Banking

The Global Transaction Banking product areas are focused to address our customers' needs for local and global commercial banking solutions, in particular in the areas of local loans and bank guarantees, trade finance transactions and cash management activities. The Santander Group splits these businesses from our corporate and investment banking operations as part of our worldwide strategy to address ongoing commercial and financial globalization and internationalization of our clients.

Trade Finance. We believe we have a strong market position in transactions related to cross-border financings and guarantees (both trade and non-trade) and trade services. Our team of experts provides a complete range of products and services (including trade finance, trade services, export credit agency finance), particularly those related to import and export activities. Our performance was recognized by client survey, in the fourth consecutive year, as "The Best International Bank in Trade Finance in Brazil" and "Deal of the Year," both awarded by Trade Finance Magazine.

Cash Management. We offer to our clients a variety of solutions in receivables management through collections, pick up services, identified deposits, payables management, tax and utilities, and payroll. With an emphasis on our client's treasury management, all receivables and payments flows are managed by electronic tools that optimize and ensure the effective use of the business's operating funds. The complete integration with Banco Real's products and solutions and the strong local presence of our branches and the availability of global solutions to support our clients provides us with a prominent position in the Brazilian market for cash management services.

Loans, Financing and Local Guarantees. Our loans and financing area works in the development and management of products that meet customer demands for credit lines, financing of receivables, working capital lines and local guarantees (bank guarantees). We believe we are benchmark for the market in which we operate, in terms of quality of our products and delivery service that accompanies them. We have a sales team specialized in our product portfolio and focus on serving our customers exclusively. We also focus on developing tailored solutions to the financial needs of our customers, with the aim of adding greater value to their businesses and building long-term sustainable partnerships.

Global Custody & Securities Services. We offer specialized services for foreign and local investors, including large corporations, global custodians, investment banks, pension funds, insurance companies, brokerages, asset managers and private equity firms. Our portfolio of products and services includes custody, controlling and trust funds administration for traditional funds, receivables (FDIC), equity investment funds, custody and local representation for foreign investors, stock loans, bookkeeping services and escrow accounts management.

Correspondent Banking. Our international correspondent banking operations include trade financing and funding from correspondent banks. Our trade financing activities consist of import and export financing. Import financing generally involves a loan or a letter of credit in the relevant foreign currency of the commercial transaction. Export financing generally involves pre-export financing and consists of an advance to an exporter in foreign currency. Both export and import financings are extended in U.S. dollars or the relevant foreign currency of the commercial transaction.

Credit Markets

Credit Markets is responsible for project financing, debt capital markets, syndicated loans and acquisition financing.

Advisory and Project Finance. Our strategy for advisory and project financing, developed since 2004, brought us to a prominent position in the ANBIMA rankings in the past years and again kept us in leadership in 2010. The infrastructure sector and the market for project financing in Brazil has maintained strong growth. Expectation for new investments in the sector is also very positive. According to BNDES, estimated investments in power projects, ports, telecommunications, roads and railways between 2011 and 2014 are approximately R$300 billion. This trend was further supported by the PAC (*Programa de Aceleração do Crescimento*), a program launched by the former government to improve infrastructure in Brazil, infrastructure demanded by Petrobras for the *Pre-Salt* (Large scale project to explore oil in the deep sea level under the salt layer reaching depths up to 8,000 meters) and the demand for higher installed capacity of power generation and investment in all sectors of infrastructure such as ports, airports and roads. We participated in innovative transactions in the energy, logistics, urban mobility and oil and gas sectors, and we believe we are well positioned for the coming years to lead and participate in advising, structuring and financing of infrastructure projects, including water and waste management and processing. The Santander Group is among the leading participants in project finance in the world and is one of the market leaders in Brazil, as demonstrated by our continued recognition in ANBIMA's rankings in recent years, including first place in advising projects in 2005, 2008, 2009 and 2010. Additionally, in 2010, we received three awards from Euromoney - Project Finance Magazine: (1) Latin America Wind Deal of the Year for the R$400 million financing of the four wind farms of SIIF Energies do Brasil; (2) Latin America Transport Deal of the Year, for the design of the Rota das Bandeiras deal, and (3) Latin America Bond Deal of the Year for the financing of the drilling platforms Norbes VIII and IX, owned by Odebrecht Óleo e Gás S.A.

Furthermore, our project finance area was involved in important projects in 2011, receiving international recognition from the specialized press and helping create innovate structures in this type of financing. Projects included: (1) participation as B Lender of Inter-American Development Bank for Embraport, with long term debt of U.S.$430 million. The extremely complex structure of the contracts among creditors and firm received international recognition, as the winner of the Project Finance International ("PFI") Americas Transport Deal of the Year and Americas Deal of the Year; (2) Joint Lead Arranger of OSX II, a project with total debt of U.S.$850 million and a twelve year term. The structuring of bank syndicate involved in the project won the prize for the PFI Oil & Gas Deal of the Year; (3) involvement in one of the biggest projects for urban mobility, the partnership between CAF and CPTM for adaptation works and acquisition of new train compositions for Line 8 - Diamond, with long term BNDES debt in the amount of R$946.9 million and total investments around R$1.4 billion. We were ranked number one by Dealogic rankings in Latin America, both in monetary volume and number of deals. This ranking considers deals in all areas, since it has a project finance structure, in the whole world.

Capital Markets (Debt). We played an important role in both local and international debt capital markets for Brazilian issuers. In the local market, we are one of the leading banks in fixed income issuance. In 2011, we acted as Lead Managers on important transactions such as the debenture issuance by Cachoeira Paulista Transmissora de Energia S.A., a R$220 million deal with an innovative structure which prepay BNDES debt and allows for re-leveraging of the project. Furthermore, we were bookrunners on (1) Lojas Renner S.A.'s R$300 million debenture, (2) Companhia de Crédito, Financiamento e Investimento RCI Brasil's R$300 million financial bills issuance (a local instrument created to allow financial institutions to access the local debt markets), and (3) securitization transactions for Rossi Residencial S.A. and Monsanto do Brasil Ltda. in the amounts of R$150 million and R$100 million, respectively. We were also involved in significant issuances in the Brazilian market, including debenture issuances by Even Construtora e Incorporadora S.A., ALL – America Latina Logistica S.A., Ampla Energia e Serviços S.A., MRV Engenharia e Participações S/A and Companhia Energética do Ceará S.A. - COELCE, and securitizations of receivables for companies in the petrochemical industry and Companhia Estadual de Águas e Esgotos - CEDAE. In the international debt capital markets in 2011, we attained the leading position in the overall Brazilian bond ranking, including corporate, financials and sovereign, and maintained for the fifth consecutive year the first place in corporate bond issuance by Brazilian companies. We have lead major deals among Brazilian issuers, such as Petrobras Brasileiro S.A. – Petrobras' U.S.$6.0 billion deal, which was awarded International Financial Review's "LATAM Bond of the Year", and Petrobras' €1.85 billion and £700 million, the largest transaction ever price by a Latin American issuer in the euro market and the first Brazilian issuer in the British pounds sterling market, respectively. We have also participated in important deals for companies including Centrais Elétricas Brasileiras S.A. - Eletrobrás, Queiroz Galvão Óleo e Gás S.A., TAM S.A., Braskem S.A., Fibria Celulose S.A., Energisa S.A. and the re-opening of the 10-year Brazilian sovereign global bond.

Syndicated Loans and Acquisition Finance. We are one of the leading banks in the syndicated loans market in Latin America, acting both in cross-border and local transactions. Santander is recognized in the acquisition finance market for structuring transactions tailored to the needs of each customer. In 2011, we executed various important transactions, including: a R$2.8 billion-syndicated loan for CPFL Energia S.A.; a U.S.$1.5 billion senior unsecured revolving syndicated facility for Votorantim GmbH,; a wholly-owned European subsidiary of Votorantim Participações S.A.; (3) a U.S.$1.0 billion global working capital syndicated facility for Gerdau S.A.; a U.S.$1,050 million-syndicated project finance for Odebrecht Drilling Norbe VIII/IX Ltd., a wholly-owned subsidiary of Odebrecht Óleo e Gás S.A.; a U.S.$850 million-syndicated project finance for OSX Brasil S.A.; a U.S.$575 million-syndicated project finance for Queiroz Galvão Óleo e Gás S.A.; a R$280 million-syndicated loan for Haztec Tecnologia e Planejamento Ambiental S/A; a R$210 million-acquisition finance to the purchase of telecommunication towers by the investment fund Providence Equity Partners LLC; and a R$175 million-acquisition finance to the purchase of Bertin S.A.'s assets in hygiene, cleaning and cosmetics by JBS S.A.

Credit Sales & Trading. Our Credit Sales & Trading team acts as the credit distribution arm of the bank, responsible for the pricing and placement with investors of transactions originated by Credit Markets. Credit Sales & Trading operates in two areas, the syndication of project finance and other structured loans amongst banks and the pricing and distribution of fixed income instruments (such as bonds, Promissory Notes, Mortgage Backed Securities, Asset Backed Securities, etc) with institutional investors. In addition to primary placement efforts, the team works actively in the secondary market through the negotiation of loans and fixed-income bonds. In the case of fixed income, we fulfill an important role in the development of the secondary market by managing a trading book and acting as market maker for some of our issues.

Asset and Capital Structuring. This area is responsible for the development of structures for financing based on assets, business promotion and optimization of capital investments. The principal activities involve asset structuring, seed investment and carbon finance.

Corporate Finance

Our corporate finance activities include mergers and acquisitions and equity capital markets.

Mergers and Acquisitions. Our corporate finance services are focused on developing customized solutions for customers in the mergers and acquisitions area. The transactions carried out by our mergers and acquisitions team include advisory services on acquisitions, sales, mergers, restructurings and project funding in a range of sectors, such as construction, agriculture, retail, telecommunications, energy, metals and minerals and financial services. The role we perform in merger and acquisition transactions usually involves a complete package of financial services, including the financing of acquisitions, structuring of all transactions and settlement of the financing.

In 2011, we acted as financial advisor in several important transactions, including the merger of shares between Telesp Celular S.A. and Vivo Participações S.A.; the acquisition of Allus by Contax Participações S.A.; sale of 100% of SIIF Energies do Brasil Ltda. to CPFL Energia S.A.; the financing structure and 95% of the capital raise of Sete Brasil Participações S.A. for Petrobras; the capital raise of Tecsis Tecnologia e Sistemas Avançados Ltda. funded by several financial investors; the sale of 90% interest in HPP Santo Antonio do Jari to EDP - Energias do Brasil S.A.; and the sale of 26% of Renova Energia S/A to Light S.A.

According to Bloomberg, on December 31, 2011, we were ranked sixth in financial advisory services in terms of volume of merger and acquisition transactions in Brazil, with approximately U.S.$13.3 billion in 14 announced transactions.

Equity Capital Markets (ECM). Our ECM area participated as bookrunner in numerous offerings in Brazil in recent years. In 2011, we ranked second in equity issues in Latin America and fifth in Brazil according to Dealogic, based on volume. Also in 2011, we acted as the lead bookrunner in the IPO of Autometal S.A. and follow-on offering of EDP Energias do Brasil S.A. as well as joint bookrunner in the IPO of IMC S.A. and follow-on offerings for Tecnisa S.A., Direcional Engenharia S.A., BR Properties S.A. and Kroton Educacional S.A.

Equity Investments. This department is responsible for our proprietary investments in companies that are part of our client base or potential clients. Equity Investments' primary purpose is to identify, analyze and structure investment opportunities, generating attractive returns and offering alternative financial and strategic support to our clients.

Since its inception in 2008, Equity Investments has analyzed over 140 investment opportunities in several sectors. In 2011, Equity Investments invested R$255 million and received R$112 million, resulting mainly from dividends and asset sales. As of December 31, 2011, Equity Investments had R$1.2 billion in assets under management.

Equities

Equity Derivatives. We provide a range of products and services through our Equity Derivatives Brokerage. Our team consists of Structuring, Sales and Trading. Equity derivatives products are designed to meet the needs of our corporate, institutional and retail clients, and individuals with high net worth. Our products include indices and stocks, national and international baskets of products (including hybrid baskets) through listed options, delta 1 structures, over the counter negotiations, options and structured notes. These products are used for hedging, leverage, financing and investment products.

Exchange Traded Derivatives. We provide full services of execution and settlement of futures and options. We help companies and financial institutions in futures trading in Brazil or elsewhere in the world. Through our fully integrated platform, we provide execution and settlement services globally. Specialists help clients achieve their business objectives when trading listed derivatives. Our clients are able to trade through solutions of direct market access (DMA) or by third party providers of forwarding orders. We also have a structure dedicated to provide our customers with customized solutions that meet their specific needs.

Cash Equities. We provide cash equities services to foreign and local investors and institutions mainly through our brokerage house, Santander Corretora. Our cash equities sales trading team is recognized within the industry for its quality of execution, the strength of its relationship with clients and the quality of its research on the Brazilian and Latin American markets. Our brokerage serves individual investors who trade in BM&FBOVESPA, providing differentiated services through specialized managers. Through our "*salas de ações*" (broker offices), installed in 100 branches of Santander Brasil, investors can manage their portfolios online, with access to information about the historical prices and the latest industry and company analyst reports, including those prepared by our analysts and customized to the needs of our customers. We also offer settlement services, securities trading and direct market access (DMA).

Equity Research. At the end of 2011, our equity research team covered 113 Brazilian companies in 16 different sectors, most of the BM&FBOVESPA Index, called Ibovespa. The Ibovespa is the main indicator of the average performance of the Brazilian stock market, which reflects the variation of the most actively traded shares on the BM&FBOVESPA, having maintained the integrity of its historical series without any methodological change since its inception in 1968. Our team is part of the Latin America equity research team. Such research services include the publication of research reports, annual conferences (a Latin America Conference in Mexico, usually held in January, and the Brazil Conference in Guarujá, usually held in August) road shows with analysts and trips with investors (to visit specific companies, provided for a small group of institutional investors). According to the 2011 survey of the Institutional Investor magazine for the best Latin American and Brazilian equity research teams, our teams were ranked fourth among both the Latin American and the Brazilian equity research teams.

Rates

Our Rates business is responsible for offering treasury management products (foreign exchange products, derivatives and investments) to all of our clients, including corporate clients in large, middle and small enterprises, institutional investors and individuals. Rates has designated sales teams for our corporate and institutional clients that are made up of exclusive and dedicated teams which allow us to focus on specific needs of each client group.

As part of the Rates group, we maintain structuring and product management teams that work to maintain updated products and create innovative solutions for our clients. New procedures for derivatives operations were implemented to suit our client profile, establishing good sales practices and transparency in our clients' relationship.

The Santander Group's global relations, with a significant presence in Europe and Latin America, allow us to offer a wide variety of products to our local clients that have a presence in international markets or that are engaged in offshore expansion.

Market Making

The market making area is responsible for the pricing of client deals originated by the sales forces from our corporate, institutional, private banking and retail operations. Risks coming from those deals are covered in the market, through dynamic portfolio hedging activity managed by a specialized and dedicated team.

Our capabilities in market making activities allow us to offer a broad variety of products and structures to our clients, as well as create synergies with the sales force and a better knowledge of our local and international clients' needs. These aspects have led to a significant presence on rates products, more competitive prices for our clients and sustainable results for the organization.

The market making desk must comply with risk control policies established by our senior management and also with those applied worldwide by the Santander Group. All positions and processes are strictly monitored and controlled by specialized market and operational risk teams and finance and compliance departments.

Proprietary Trading

The proprietary trading area is responsible for the management of our proprietary books and the establishment of a relevant presence as a liquidity provider across all local markets. We seek recurrent results for each single book, based on diversification and capital preservation.

The decision-making process is based on fundamental aspects of each market, supported by technical views. The strict observance of these principles has allowed this activity to present sustainable results for us.

The proprietary trading desks must comply with risk control policies established by our senior management and also with those applied worldwide by the Santander Group. All positions and processes are strictly monitored and controlled by specialized market and operational risk teams and finance and compliance departments. Proper risks management for each financial market area and sustainable initiatives, such as social, environmental and corporate governance criteria are also part of our proprietary trading activity.

Asset Management

The Santander Group's global asset management entity is an investment management service provider, with €131 billion in assets under management as of December 31, 2011 and a presence in ten different countries around the globe (Brazil, Germany, Argentina, Chile, Mexico, Puerto Rico, Portugal, the United Kingdom, Poland and Spain).

Our subsidiary, Santander Brasil Asset Management, grew 7% in 2011 and reached R$128 billion in assets under management as of December 31, 2011 according to ANBIMA. It is the fifth largest asset management company in Brazil, with a 6.8% market share. Our assets under management represented approximately 38.0% of the Santander Group's total volume of assets under management worldwide as of December 31, 2011.

We manage 673 investment funds and in 2011 the number of shareholders increased from 725 thousand to 911 thousand. We believe our rigorous governance, disciplined investment management process, wide range of product offerings and prudent risk management contributed to the investment grade ratings assigned to our asset management business by the rating agencies *S&P*, and Moody's, with ratings of AMP-1 and MQ-1, respectively.

Our main strategy has been the offering of innovative products to our clients. Santander Brasil Asset Management maintained its leadership in capital protected funds with different asset classes with a market share exceeding 50%. In 2011, we launched the first gold capital protected fund (*fundo de capital protegido ouro*) in retail banking with net inflows of R$300 million and the strategy capital protected fund (*fundo de capital protegido strategy*) in currencies that allows quarterly rollover based on economic conditions, with net inflows of R$180 million. Other successful fixed income offerings include our inflation-linked fund, interest rate-linked fund and the fixed income vintage fund, with net sales of R$450 million in 2011.

Insurance

We offer to our retail and SME customers various insurance products, including life and personal injury insurance, homeowner's insurance, credit life insurance, credit card loss and theft insurance and private retirement plans, which are considered life insurance for regulatory purposes, although their aim is that of a private retirement plan providing annuity benefits and capitalization products (financial accumulation products combined with lottery) generally requiring that a customer deposit a fixed amount. Following the Santander Seguros Transaction, our operations in the insurance business are focused primarily on the distribution of insurance products underwritten ZS Insurance pursuant to a 25-year agreement that grants ZS Insurance exclusive access, for the term of the agreements, to our distribution channels, though we do continue to underwrite and distribute capitalization products as described below.

Capitalization Companies

Our capitalization business is conducted through Santander Capitalização S.A. Capitalization products are similar to certificates of deposit whereby the customer buys the capitalization product and will in exchange, receive a return on the deposit upon maturity at some future date. A capitalization product typically has interest indexed to saving deposits and the product holder has the right to receive certain random prizes (generally, cash prizes, similar to a lottery) during the term in which the customer holds the product.

We focus our operations on bancassurance products, offering low risk products with favorable margins. For capitalization products and private retirement plans, we offer products directed toward various risk profiles depending on our various customers' needs.

Insurance Brokerage Services

We distribute insurance products from some of Brazil's largest insurance companies. We concentrate on the sale of products issued by Santander Seguros or Santander Brasil Seguros, which represented almost 91% of our insurance premiums in the year ended December 31, 2011. See "Summary—Important 2011 Events—Sale of Santander Seguros". The products we distribute as part of our insurance brokerage services include life, automobile, property and casualty, industrial equipment and crop insurance. We focus on simple standardized banking product-related insurance mainly intended for the retail business.

The products are sold through our distribution network and we receive a service fee from the insurance providers based on the insurance sales. All risks are assumed by, and all premiums are payable to the relevant third-party insurance provider (including the Santander Brasil insurance providers).

In 2011, we sold our wholly-owned subsidiary, Santander Seguros to a joint enterprise of Santander Spain and Zurich Financial, though we will continue to distribute the products offered by Santander Seguros. See Summary–Important 2011 Events—Sale of Santander Seguros".

On October 5, 2011, we concluded the sale of the all the outstanding shares of the capital stock of our wholly-owned subsidiary, Santander Seguros and indirectly of Santander Brasil Seguros, to ZS Insurance, held directly or indirectly, fifty one percent (51%) by Zurich Financial and forty nine percent (49%) by Santander Spain, and Inversiones ZS. See "Summary—Important 2011 Events—Sale of Santander Seguros".

Distribution Network

Our distribution network provides integrated financial services and products to our customers through a variety of channels, including branches and on-site service units (postos de atendimento bancário or "PABs") and complementary distribution channels such as ATMs, call centers and other alternative direct sales distribution channels like Internet banking. These distribution channels are concentrated in the south and southeast, Brazil's wealthiest regions measured in terms of GDP per capita (representing approximately 72.0% of Brazil's GDP).

The following table presents our principal outlets at December 31, 2011.

	At December 31, 2011
Branches	2,355
PABs (on-site service units)	1,420
ATMs	18,419

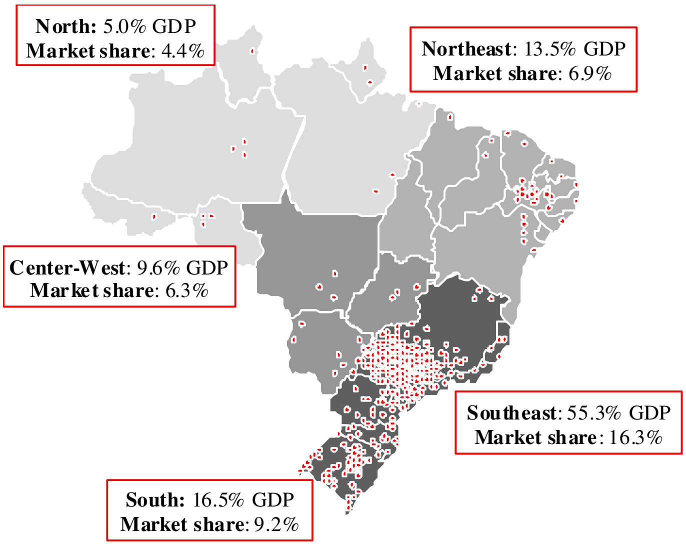
Branch Network

Our branch network offers all of our products and services to our customers. In 2011, we opened 154 new branches.

The table below shows the number of our branches across Brazil's regions at the dates indicated.

	At December 31,			Change, December 31, 2011 vs. December 31, 2010	
	2011	2010	2009	#	%
Central West	93	86	72	7	8
Northeast	196	183	176	13	7
North	36	31	31	5	16
Southeast	1,707	1,606	1,533	101	6
South	323	295	279	28	9
Total	**2,355**	**2,201**	**2,091**	**154**	**7**

The following map shows the geographic distribution of our branch network, each region's share of 2009 GDP and our market share, according to the Brazilian Central Bank. Market share is calculated by dividing the number of our branches in the region by the number of branches for all principal banks in such region at December 31, 2011.



Source for GDP: IBGE

PABs — On-Site Service Units

We offer daily banking services to our SME and other corporate customers and their employees through our on-site service units located on their premises as well as in hospitals and universities. Our on-site service units are generally the exclusive point of sale at the premises. We believe that our on-site service units strengthen our relationships with our clients and builds customer loyalty with those individuals who benefit from the convenience of conducting their banking transactions at their workplace.

The table below shows the number of our on-site service units across Brazil's regions at the dates indicated.

	At December 31,			Change, December 31, 2011 vs. December 31, 2010	
	2011	2010	2009	#	%
Central West	98	100	101	(2)	(2)
Northeast	130	159	159	(29)	(18)
North	53	59	59	(6)	(10)
Southeast	970	1,001	1,018	(31)	(3)
South	169	176	177	(7)	(4)
Total	**1,420**	**1,495**	**1,514**	**(75)**	**(5)**

Complementary Distribution Channels

We also distribute our products and services through complementary distribution channels, which we believe contribute significantly to increase product sales and banking transactions. These channels consist of ATMs, Internet banking, mobile banking services and call centers. These distribution channels provide significant amount of information to our customers and also improve direct sales. Because of their lower cost and large attendance capacity, we believe that complementary distribution channels are an important way to have more effective relationships with the customer base.

ATMs

We operate an extensive network of over 18,000 ATMs, including those located in our branches and on-site service units. In addition, our customers have access to the "Banco 24 Horas" network which has more than 11,500 ATMs and the "Rede Compartilhada Banco 24 Horas" network which operates more than 11,000 ATMs of over 40 participating banks located throughout Brazil. Through these networks our customers may access their accounts and conduct banking transactions (typically paying a per-transaction fee).

The following table shows the number of our ATM machines across Brazil's regions at the dates indicated.

	At December 31,			Change, December 31, 2011 vs. December 31, 2010	
	2011	2010	2009	#	%
Central West	759	746	714	13	1.7
Northeast	1,666	1,683	1,647	(17)	(1.0)
North	393	398	390	(5)	(1.3)
Southeast	13,406	13,407	13,336	(1)	0.0
South	2,195	2,078	2,041	117	5.6
Total	**18,419**	**18,312**	**18,128**	**107**	**0.6**

Call Centers

Our call centers can be used by customers to make inquiries, execute payment transactions or apply for products and services, such as personal loans. A portion of our call center personnel is dedicated to contacting current account holders to offer them additional products and services. Our call centers also have a retention unit that handles customer requests for the cancellation of products or services.

The following table presents summarized operating statistics for our call centers.

	At December 31,			Change, December 31, 2011 vs. December 31, 2010	
	2011	2010	2009	#	%
Number of individual customers (in thousands)	2,525	2,436	2,216	89	3.7
PAS(1)	3,631	4,150	3,976	(519)	(12.5)
Headcount	6,588	6,882	6,516	(294)	(4.3)
Percentage of using customers per month	27%	29%	27%		

(1) Work stations set up for call center activities.

Internet Banking

We view Internet banking as a key instrument for offering additional products to our customers. Individuals and SMEs can also access their accounts through the Internet to conduct banking transactions at their convenience, such as obtaining account information, financial transfers, contracting loans and making payments. The following table presents summarized operating statistics for our Internet banking.

	At December 31,			Change, December 31, 2011 vs. December 31, 2010	
	2011	2010	2009	#	%
Number of individual customers (in thousands)	2,448	2,025	1,790	423	20.9
Percentage of using customers	28%	23%	22%		

Funding

Our principal sources of funding are deposits. Since we are primarily a commercial bank, customer deposits constitute the main source of liquidity in our financing structure. These deposits, combined with capital and other similar instruments, enable us to cover most of our liquidity and legal reserve requirements. Our control and management functions involve planning our funding requirements, structuring the sources of financing to achieve optimal diversification in terms of maturities, instruments and markets and setting forth contingency plans. In order to increase liquidity in the Brazilian market, we use deposits in the local market as an instrument of liquidity and do not rely significantly on international funding. Additionally, legal reserve requirements consume a significant amount of funding in Brazil. In order to improve the liquidity of the Brazilian financial markets, the government created the Financial Bill instrument (*Letra Financeira*) through Provisional Measure No. 472 of December 15, 2009 (converted into Law 12.449 dated June 11, 2010). The Financial Bill instrument is a new funding alternative available to banks that can be characterized as senior or subordinated debt for purposes of capital adequacy rules. Pursuant to CMN Resolution No. 3,836 of February 25, 2010, its minimum term must be 24 months and it must be issued for a minimum amount of R$300,000. For further discussions of our funding, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources— Liquidity and Funding."

Technology and Infrastructure

In order to serve our customers effectively, improve our profitability and grow our business, we continuously invest in new technology and renewal of equipment and infrastructure. We believe that proper management of technology is key to the efficient management of our business. Our technology platform focuses on our customers and supports our business model. We operate a modern global technology platform that is interconnected with the platform of the Santander Group, which allows us to serve our customers on a global scale, under a platform that is uniquely customer-centered. See "Related Party Transactions— Information Technology Platform."

Our operations and information technology organization are focused on the bank objective of being in three years the preferred bank of our clients. To reach this, we have the following strategic priorities:

- consolidation of our operational base;
- leverage our full range of products and services in all business segments;
- strategic repositioning in markets of interest with favorable growth prospects;
- improve our strategic positioning and relationships with clients in other markets; and
- increase our brand value.

The infrastructure environment can be divided into five groups:

- *Data Centers*. We currently have data centers in two locations. Our security environment entails an authentication and authorization system based on mainframe infrastructure, a secure internal network protected by a complex set of firewalls, continuous monitoring of incoming traffic and protection of work stations with anti-virus software. We are currently building a latest generation technology, research and data processing center, in the city of Campinas, State of São Paulo.
- *Data Communications*. Our data communications infrastructure has been upgraded to provide for faster broadband speeds at all of our branches.
- *Call Centers*. In addition to customer service, our call centers perform recovery and sales activities.
- *Branches/ATMs*. The integration of our retail operations was implemented in two steps. The first step, completed in February 2011, was the full integration of all clients and channels excluding cash management operations. The second step was the integration of cash management operations, which was

completed in March 2011. In 2012, we expect to open 100 to 120 new branches and we expect to replace 4,000 ATMs (more than 20% of our total ATMs).

- *End-user systems.* We maintained the end-user systems, with the goal of standardizing hardware and operating systems at all workstations for all employees.

In February 2011, we completed a major step of our integration: the migration of accounts and operations of over nine million customers from the Banco Real source platform to the unified Santander system. All of those individuals, most of them customers of retail companies and some wholesale customers, are already conducting their transactions on the new systems platform. Our branch network now operates on a single platform, is more agile and provides a wider range of products and services to our customers. This project has always been focused on continuously improving the standard of care and level of customer services.

This set of systems and environments is managed and supported by specialized internal group companies. This model enables us to capture our global scale and benefit from outsourcing (including consolidation, shared capability scale, exchange of best practices and simplified governance), without the loss-of-control downside of externalizing core activities.

Communications and Marketing

We integrated the Banco Real brand in December 2010 and our primary goal for 2011 was to consistently strengthen our market position by delivering on a daily basis the services we have promised to our customers. We believe our customers should be made the priority in our operations. We seek to be our customers' preferred bank, providing simplicity, security and efficiency, seeking to improve the quality of service, with a team that enjoys working together to merit trust and recognition.

We believe our customers' positive response in relation to our products and services will make Santander a more attractive brand and result in improved performance of our business.

We believe our public relations and communications play an important role in aligning actions with our public discourse, or in other words, between what we promise and what we actually deliver, and we believe our public communications in 2011 took on greater significance. As part of our communications initiatives, we launched the "*Canal Santander Responde*", which includes, among other content, 34 videos providing customers with guidance on how to take full advantage of our products and services.

Among our products and services featured in our advertising campaigns are the Santander Van Gogh Real Estate Services, a current account linked to the mortgage loans department, which includes a series of exclusive services intended to provide greater peace of mind and security for our customers before, during and after the purchase of real property. Another campaign highlights the "*Santander Conta Integrada*" (Santander Integrated Account) for SMEs, an innovative financial solution for merchants that enables them to receive at a single terminal receivables related to transactions with Visa and MasterCard credit cards and/or debit cards as well as accept a variety of regional cards and providing differentiated rates and fees to our customers based on their sales volume.

We also focused on the development of regional communication activities, with the aim of bringing us closer to our customers and creating increased brand awareness among our customers in the main regions in which we operate. The cities where we focused these efforts included Porto Alegre, Recife, Brasília, and in particular, Rio de Janeiro, where we announced our commitment to the sustainable development and growth of the region, underlining the fact that our involvement with the city is for the year "2000 and Forever" ("*Rio 2000 e Sempre*") and not just temporary.

We also solidified our presence in sports marketing in 2011 continuing our sponsorship of the "*Copa Santander Libertadores*" soccer tournament and the Ferrari Formula 1 team, as well as forming a partnership with the Brazilian soccer star Neymar Jr.

As part of our communications and marketing efforts, we conducted hundreds of institutional activities, programs and projects in several Brazilian cities, including the "*Santander Cultural*" centers in Porto Alegre and Recife. The initiatives were based on local demand and the development of regional culture and art. Another major initiative was the inauguration of a venue in the Vila Cruzeiro neighborhood in Rio de Janeiro, featuring activities in relation to cultural training and digital inclusion, in partnership with the non-governmental organization AfroReggae. Other initiatives included providing Christmas trees in Ibirapuera Park in the city of São Paulo and the Complexo do Alemão, a shantytown in Rio de Janeiro. Also, we helped provide an open-air gymnasium in Cidade de Deus, another low-income community in Rio de Janeiro.

We also supported the construction of the "*Museu do Amanhã"* (the Museum of Tomorrow) in Rio de Janeiro and undertook to provide ongoing maintenance for the museum during the ten years after it opens in 2014. The project was drawn up by architect Santiago Calatrava and features new concepts in science museums, aiming to stimulate public discourse on how we can make the planet more sustainable. The building will be equipped with a mobile solar energy system and be cooled using water from Guanabara Bay, which will be returned to the sea clean.

Competition

The Brazilian financial market is highly competitive. In 2008 and the first half of 2009 experienced significant consolidation, which included the mergers of some of the largest banks in the industry, such as Santander Brasil with Banco Real, Itaú with Unibanco and Banco do Brasil with Nossa Caixa and Banco Votorantim.

In September 2006, the CMN enacted regulations to increase competition among Brazilian commercial banks by creating mechanisms that make it easier for customers to open new accounts and transfer their funds from one institution to another. As a result of these new regulations: (1) banks are prohibited from charging their customers fees for services in connection with salary, pension and other income payment accounts that such customers are required to maintain with a bank designated by the customer's employer, pension fund or other source of income; (2) financial institutions and leasing companies must accept the prepayment of loans and leasing transactions by customers who have elected to refinance such debt with other financial institutions; (3) customers will have the right to request that a financial institution disclose their credit history to another financial institution; and (4) changes were implemented in the regulation of the FGC, which is a fund created to guarantee payment of funds deposited with financial institutions in the event of intervention, administrative liquidation or other state of insolvency, thereby providing depositors with greater assurance that their deposits will be safeguarded.

As of September 30, 2011, according to the Brazilian Central Bank, the five largest banks and financial conglomerates had an approximately 66.6% market share in terms of credit volume and an approximately 75.9% market share in terms of deposits within the overall financial industry in Brazil. At such date, the largest bank in Brazil was the public financial institution formed by the merger of Banco do Brasil with Nossa Caixa, with a 19.6% market share in terms of credit volume and a 25.3% market share in terms of deposits, according to the Brazilian Central Bank.

The following table presents market share information as of the date presented for the other three largest financial institutions.

	Based on Data Available			
	Santander Brasil	**Bradesco**	**Itaú Unibanco**	**Banco do Brasil**
	(In percentages)			
Total assets (1)	8.4	12.6	16.1	18.0
Total loans(2)	10.5	14.2	18.7	20.5
Total deposits(2)	7.8	14.8	15.7	26.6
Demand(2)	7.0	17.7	17.4	31.5
Saving(2)	6.5	13.8	15.4	23.3
Time(2)	8.7	14.7	15.4	27.0
Mutual funds(3)	6.7	17.0	17.2	21.6
Retail(3)	13.5	12.5	19.4	24.7

(1) According to the Brazilian Central Bank's report of the 50 largest banks in Brazil (September 2011).
(2) According to the Brazilian Central Bank, reported and presented in accordance with Brazilian GAAP (November 2011).
(3) According to ANBIMA (December, 2011).

Banco do Brasil is active in all business areas and plays an important role in the market due to its captive deposit products market and strong presence in public organizations, and is consequently one of our primary competitors. In addition, our other primary competitors are large privately owned domestic banks, such as Bradesco and the financial institution formed by the merger between Itaú and Unibanco. These banks have a strong brand name and distribution capacity throughout the country. Our acquisition of Banco Real has allowed us to obtain a critical mass and better compete with these large public and private financial institutions.

We face competition from local and regional banks in relation to certain products in the Commercial Banking segment in which such banks have specialized. In the Global Wholesale Banking segment, our competitors include global banks focused on investment banking, such as Credit Suisse, Bank of America/Merrill Lynch, UBS Pactual, Goldman Sachs and JPMorgan, which have played an important role in the Brazilian wholesale market as a result of their expertise in complex structured transactions and their distribution networks in Europe, North America and Asia.

Sustainability

In 2011, we made significant advances in our sustainable development initiatives. Our commitment to integrating economic, social and environmental aspects into our business model has led to important recognitions, including being ranked as one of the 20 greenest companies in the world in October 2011 by Newsweek magazine.

Business

In 2011, the total sustainable deals carried out by our Global Wholesale Banking segment totaled in excess of R$1.2 billion, with GB&M participating in deals totaling R$455.9 million, and Corporate Finance participating in deals totaling R$800.2 million. Our participation in these deals was the outcome of a strategy that included performing sector analyses, creating social and environmental solutions for funding and visiting potential customers to foster the financing of sustainable initiatives.

The total volume of social and environmental funding in retail banking totaled R$427.7 million in 2011, as a result of initiatives focused on sectors with potential for lower energy and/or water consumption and for improved waste management, as well as improved operating efficiency and cost reductions. Two products were created to support these operations: Sustainable Working Capital and Sustainable CDC.

Our Sustainable Working Capital Challenge leveraged a total of R$399.0 million, or approximately 93.0% of the total available funding, for financing projects, advisory consultancy work and certifications aimed at fostering social and environmental improvements, as well as providing resources for companies producing goods or providing services that contribute directly to social and environmental improvements.

In Brazil, we are the largest private bank to offer microcredit transactions through a service that encompasses entrepreneurs in 610 municipalities. In 2011, we provided loans totaling R$379.9 million, almost 31% of the cumulative total since 2002 (approximately R$1.2 billion). In 2011, we provided more than 177,000 services, a 9.0% increase from 2010. In 2011, the default rate increased 1.1 percentage points compared with 2010, reaching 4.5%; and our active portfolio grew 8.0%, for a total of 103,443 customers.

In 2011, we launched the Woman Life Protection, Man Life Protection and Van Gogh Life Protection insurance products, which earmark 10.0% of the first installment of the insurance policy to the "Intituto *Se Toque*", a non-profit association that promotes awareness and encourages lifestyle changes to prevent diseases. The amount donated due to these new products totaled R$190.3 thousand.

In 2011, through a proprietary private equity transaction, we announced the purchase of a minority shareholding in the Greenvana group, the largest sustainable consumption corporation in Brazil. In addition to e-commerce operations for sustainable products, Greenvana also generates web content and has a specialized search engine. With the initiative, Santander's upwards of 10 million individual customers and more than 500,000 corporate clients can enjoy the benefits of the services provided by Greenvana.

Environmental Management and Climate Governance

We have comprehensive approach to address current environmental issues, from the creation of products and services to the implementation of eco-efficient processes in our operations, such as selective garbage collection and a new printing model. With our new printing initiative, printers were set to print two pages per side of a sheet of paper. Eight months into the program, our headquarters had saved approximately 880 thousand sheets of paper. We believe this initiative will also lead to a 50% decrease in equipment usage and will result in total savings of approximately R$49 million once the project is fully implemented. As part of our selective garbage collection in the ISO 14001-certified buildings, average recycling increased to 40.5%, up from 26.1% in 2010.

We opened 110 branches in 2011 following Santander's Engineering Standards Guide, which sets specifications for the application of sustainability concepts in all network and point of sale projects in accordance with local feasibility standards. Among the new branches, 57 have a rainwater use system.

We have also adopted additional measures to reduce greenhouse gas ("GHG") emissions, focusing on low-emission technologies such as renewable energies, lower emission transportation and improved waste management.

We have been inventorying our greenhouse gas emissions since 2005. As of 2011, emissions reduction targets have been set in reference to the 2010 inventory with goals for a 3% decrease in 2011 and a 7.5% reduction by 2013. We are encouraging our suppliers to measure and manage their emissions; and are encouraging the use of energy originating at small Hydroelectric Plants ("SHPs"). Since October 2010, 71% of all energy supplying our office buildings has been generated by SHPs. When we acquire new equipment, we account not only for economic aspects of the acquisition, but also environmental impacts. Aspects evaluated include energy performance and water consumption, waste generation and greenhouse gas inventory.

We seek to compensate for direct emissions that we cannot reduce through the Santander Forest Project, a reforestation project conceived for degraded areas, especially riparian forests. Over 63,000 seedlings were planted in 2011, representing the replacement of approximately 13,000 tons of carbon dioxide. We also hold a seat on the board of the Ecological Corridor Project, which aims to reforest 150,000 hectares of Atlantic forest, in the São Paulo section of the Paraíba do Sul river watershed, during the next ten years.

Governance in Sustainability

Our executive committee addresses sustainability initiatives twice a month and our board of directors, annually. We are currently party to 23 corporate commitments, such as the Principles for Responsible Investment and the Green Protocol. As part of the Green Protocol, we agreed to take environmentally responsible steps in our operations and to provide loans to sectors committed to environmental sustainability. In 2011, we set a benchmark in three sustainability indicators and scored above the industry average in the other indicators, as compared to the 16 banks that responded to the survey.

We also joined the National Pact Against the Sexual Exploitation of Children and Adolescents, promoted by the "*Terra dos Homens"* Brazilian association, and committed to engage the community to combat the sexual exploitation of minors and to increase awareness of the National Hotline, which is a special hotline for reporting Internet child pornography.

Sharing Best Practices in Sustainability

To encourage customers to incorporate the social and environmental initiatives into their businesses, we offer the "Space for Sustainability Practices," a platform featuring news, on-site and online courses, and best practice cases that resulted from the learning we have made from our experience in implementing sustainability initiatives.

The Space for Sustainability Practices, which covers topics such as business, governance for sustainability, environmental management practices and diversity, among others, received approximately 1.5 million visits in 2011, an increase of 10% from 2010. In total, 699 organizations took part in the on-site courses, a 20% increase compared with 2010.

Other activities included a theatrical performance for micro entrepreneurs, performed for 448 people in the cities of Caruarú in the state of Pernambuco, and Rio de Janeiro, and a series of online lectures that reached 1,736 participants.

We also provide training in sustainability to our employees. In 2011, we offered seven different courses, with 17,911 participants. In these courses, we addressed a number of sustainability-related topics, such as human rights, diversity and products and services, among others.

Recognition

We have received numerous recognitions for our sustainability initiatives. For the second consecutive year, we were listed by the BM&FBOVESPA on the Corporate Sustainability Index - ISE in 2012. The ISE brings together 38 companies with the best sustainability practices in the market, representing 18 sectors with a total market value of R$961 billion, which represents 43.7% of the total value of the companies traded on the BM&FBOVESPA.

Also for the second consecutive year, we secured an A+ rating under the Global Reporting Initiative for our information memorandum, reviewed by Deloitte Touche Tohmatsu, for accuracy regarding sustainability information.

In 2011, our annual shareholders report ranked first place in the Brazilian Association of Listed Companies (Abrasca) awards in Category 1, which comprises public companies with net revenues, or in the case of banks, gross revenues, with a financial intermediation, of no less than R$2.0 billion.

We were among the 30 winners of the "2011 Best Companies to Begin a Career" award, which was organized by Você S/A magazine in partnership with Cia de Talentos and the Administration Institute Foundation; additionally, at the convention of the IFC (International Financial Corporation, an institution tied to the World Bank), we were recognized for being at the forefront in Brazil in terms of concern for the development of entrepreneurship and qualifying small and midsize enterprises. Our headquarters, the Santander Tower, was among the winners of the Prix d'Excellence in the 62nd Congress of the International Federation of the Real Estate Professions (Fiabci). In 2010, we were one of the 20 winners of the Época Green Company Awards, which acknowledges the organizations with the best environment policies. We were also granted the "Focus on Values, Transparency and Governance" certificate from the Expressão publishing company. The award acknowledges our social and corporate responsibility in Southern Brazil.

We placed 17th among the 500 greenest companies in the world in *Newsweek* magazine's global ranking, and second among Brazilian financial institutions, based on a study that considered our environmental footprint and our reported sustainability practices, policies and initiatives.

Social Development

The resources available for social investment involve a variety of our assets: financial, material, information, managerial capacity, a results-driven culture, technology and, in particular, the people that make up our staff, who are capable of managing all the other resources effectively.

We believe that our social investment should mobilize society around relevant causes, foster effective social change, influence and reinforce public policies and add value to our brand. We chose education as our main social cause, understanding that it is a critical factor in the economic, social and environmental advancement that Brazil requires. We focus on actions to improve the quality of education in our public schools in Brazil. We also offer society our accumulated organizational experience in the areas of entrepreneurship, income generation, environment and diversity.

Our various social investment programs include the "*Projeto Escola Brasil" – PEB, "Programa Amigo de Valor", "Prêmio Santander Universidade Solidária", "Talentos da Maturidade – Categoria Programas Exemplares"* and the "*Programa Educação Infantil"*.

Intellectual Property

In Brazil, ownership of trademarks can be acquired only through a validly approved registration with the National Institute of Intellectual Property (*Instituto Nacional de Propriedade Industrial,* or "INPI"), the agency responsible for registering trademarks, patents and designs in Brazil. After registration, the owner has exclusive use of the trademark throughout Brazil for a ten year period that can be successively renewed for equal periods.

The major trademarks we use, including, among others, the "Santander" and "Banco Santander" brands, are owned by the Santander Group. One of Santander Group's affiliates granted us a license to use such brands. All material trademarks for our business are registered or have been submitted to INPI by us or by the Santander Group. We own the principal domain names used in our business which include: www.santanderbrasil.com.br, www.bancosantander.com.br, www.bsantander.com.br, www.bancosantanderlight.com.br, www.corretorasantander.com.br, www.realsantander.com.br and www.santander.com.br.

Employees

On December 31, 2011, we had 54,602 full-time, permanent employees. The following table presents the breakdown of our full-time, permanent employees at the date indicated.

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Branch employees	36,382	35,863	32,938	35,046
Administration employees	18,220	18,543	18,303	18,362
Total	**54,602**	**54,406**	**51,241**	**53,408**

The Brazilian Banking Employees' Union represents most of our employees. In the event of a potential conflict with our banking employees and/or the banking union, negotiations are conducted by the FENABAN. Each year, generally in September, all Brazilian banks have a collective negotiation period in which they revise salary structures. During this period, the Brazilian Banking Employees' Union negotiates bank employees' salaries within the scope of the Brazilian Banking Collective Agreement with the FENABAN. Since the acquisition of our predecessor banks by our indirect shareholder Santander Spain, we have not suffered significant losses through strikes and our management believes it has good relations with our employees.

We have a profit sharing plan with our employees based on predetermined goals for our annual operating and financial results. As a result, if we meet or exceed certain goals, our employees can share in our financial performance. We believe that our levels of compensation, benefits (including our profit sharing program), working conditions and other provisions are generally competitive with those offered by other banks in Brazil and large companies.

We have a policy of providing continuous training to our employees, allowing them to hone their skills and create a more effective team, committed to the values of the group. In 2004, we established a business school to provide training in the following areas: professional development, integration of the employee work environment and training and development of service management, business and leadership skills.

We offer our employees a defined contribution pension plan where employees can choose to contribute part of their wages and in which we can also make contributions on behalf of such employees. This plan provides retirement benefits, and disability and death benefits. SantanderPrevi is the only pension plan currently open for new registrations. Most of our current employees are registered with the SantanderPrevi plan. At December 31, 2011, 44,176 participants were enrolled in that plan, making the total amount under management approximately R$1.6 billion, see note 22 of our audited consolidated financial statements.

Properties

The following table sets forth selected information for our principal properties.

	At December 31, 2011	
	Number	Leased/Owned
Branches [1]	2,355	1,835 leased / 520 owned
Commercial sites (consumer finance)	84	84 leased
Administrative buildings	13	4 leased/ 9 owned

(1) For information about the location of our branches, see – "Business - Business Overview - Distribution Network".

Our headquarters are located in Torre São Paulo, located at Av. Presidente Juscelino Kubitschek, 2,041 and 2,235 – Bloco A, Vila Olímpia, São Paulo, SP, Brazil.

Insurance Coverage

We have insurance policies with coverage against the following risks:

Civil Liability – IPO: public offering subject to the maximum limit of U.S.$36,990 thousand; Civil Liability Directors & Officers – D&O: subject to the maximum limit of U.S.$55,770 thousand; Comprehensive General Liability: subject to the maximum limit of R$5,000 thousand; Employees Fraud and Infidelity (Bankers Blanket Bond): subject to the primary limit of R$7,890 thousand; Property (Real Estate): subject to the maximum limit of R$540,000 thousand (for Santander Tower, our headquarters) and R$465,000 thousand for other buildings); Optional Civil Liability (Vehicles): subject to the maximum limit of R$1,100 thousand; Vehicles (Aviation) with coverage for one aircraft, Vehicles subject to the maximum limit of U.S.$6,500 thousand for the helicopter "Agusta", CASCO – Aircraft Hull Insurance and R$334 thousand for the helicopter "Agusta", RETA – Responsibility of the Aerial Exporter and Transporter (mandatory insurance).

Organizational Structure

Santander Group controls Santander Brasil directly and indirectly through Sterrebeeck B.V. ("Sterrebeeck"), Grupo Empresarial Santander, S.L. ("Grupo Empresarial Santander") and Santander Insurance Holding, which are controlled subsidiaries. As of March 23, 2012, Santander Spain held, directly and indirectly, 76.4% of our voting stock.

Santander Spain closed 2011 as the largest bank in the euro zone and the fifteenth largest bank in the world in terms of market capitalization, at €50,290 million. In 2011, the attributable profit totaled €5,351 million, 34.6% less than the previous year, and it maintained shareholders dividends at €0.60 per share. Banco Santander, S.A. is the parent company of the Santander Group which was comprised at December 31, 2011 of 739 companies that are consolidated through the global integration method. In addition, there are 156 companies that are accounted for by the equity method.

The Santander Group operates principally in Spain, the United Kingdom, other European countries, Brazil and other Latin American countries and the United States, offering a wide range of financial products. In Latin America, the Santander Group has majority shareholdings in banks in Argentina, Brazil, Chile, Mexico, Peru, Puerto Rico and Uruguay. In 2011, Santander Brazil contributed 28% of the profit attributable to the Santander Group's operating areas and 10% of customer loans.

The following table presents the name, country of incorporation or residence and proportion of ownership interest of our main subsidiaries:

Direct and Indirect subsidiaries of Banco Santander (Brasil) S.A.	Activity	Country of Residence	Ownership Interest % Direct	Ownership Interest % Indirect
Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A.	Asset manager	Brazil	99.99%	100.00%
Banco BANDEPE S.A.	Bank	Brazil	100.00%	100.00%
Santander Leasing S.A. Arrendamento Mercantil	Leasing	Brazil	78.57%	99.99%
Aymoré Crédito, Financiamento e Investimento S.A.	Financial	Brazil	100.00%	100.00%
Santander Administradora de Consórcios Ltda.	Buying club	Brazil	100.00%	100.00%
Santander Brasil Administradora de Consórcio Ltda.	Buying club	Brazil	100.00%	100.00%
Santander Microcrédito Assessoria Financeira S.A.	Microcredit	Brazil	100.00%	100.00%
Santander Brasil Advisory Services S.A[1]	Other activities	Brazil	96.56%	96.56%

Direct and Indirect subsidiaries of Banco Santander (Brasil) S.A.	Activity	Country of Residence	Ownership Interest % Direct	Indirect
CRV Distribuidora de Títulos e Valores Mobiliários S.A.[3]	Dealer	Brazil	100.00%	100.00%
Santander Corretora de Câmbio e Valores Mobiliários S.A.	Broker	Brazil	99.99%	100.00%
Webmotors S.A..	Other activities	Brazil	100.00%	100.00%
Santander Participações S.A.[1][3]	Holding	Brazil	100.00%	100.00%
Santander Getnet Serviços para Meios de Pagamento S.A.	Other activities	Brazil	50.00%	50.00%
Sancap Investimentos e Participações S.A. ("Sancap")	Holding	Brazil	100.00%	100.00%
Mantiq Investimentos Ltda.[5]	Other activities	Brazil	100.00%	100.00%
Santos Energia Participações S.A.[5]	Holding	Brazil	100.00%	100.00%
MS Participações Societárias S.A[5]	Holding	Brazil	78.35%	78.35%
Controlled by Sancap..				
Santander Capitalização S.A.[2]...	Savings and annuities	Brazil	-	100.00%
Controlled by Santander Participações S.A.				
Santander S.A. Serviços Técnicos, Administrativos e de Corretagem de Seguros[4]	Insurance	Brazil	-	100.00%
Brazil Foreign Diversified Payment Rights Finance Company	Securitization	Cayman Islands	-	(a)

(a) Company over which effective control is exercised and there is no interest.

(1) On August 26, 2011 the following was approved (1) name change of Santander Advisory Services S.A. to Santander Participações S.A.; (2) name change of Santander CHPS S.A. to Santander Brasil Advisory Services S.A.; and (3) amendment of their by-laws in order to change their legal purposes.

(2) Participation transferred to Sancap through the partial spin-off of Santander Seguros.

(3) On August 31, 2011 the following was approved: (1) partial spin-off of CRV DTVM by Santander Participações, and the version of the separated part refers exclusively to the entire stake held by CRV DTVM in the capital of Santander Securities (Brasil) Corretora de Valores Mobiliários S.A. (Santander Securities) to Santander Participações and; (2) merger of Santander Securities into Santander Participações.

(4) On October 29, 2010, shareholders of Real Corretora de Seguros S.A. ("Real Corretora") and Santander S.A. Serviços Técnicos, Administrativos e de Corretagem de Seguros ("Santander Corretora") approved the merger of Real Corretora into Santander Corretora, based on their net book values at the base date of September 30, 2010.

(5) Investment acquired in 2011.

Legal Proceedings

We are a party to lawsuits and administrative proceedings incidental to the normal course of our business. The main categories of lawsuits and administrative proceedings to which we are subject include:

- administrative and judicial actions relating to taxes;
- indemnification suits for damage related to consumer rights, in particular with respect to credit cards, checking accounts, collection and loan disputes;
- suits involving dispute of contractual clauses of existing agreements;
- civil suits, including from depositors relating to the alleged effects of our implementation of various government economic plans (seeking differences for monetary adjustments on remuneration of several deposits, such as saving accounts and judicial deposits) and consumer law (that is, breach of contract and foreign currency indexation, including administrative proceedings) and to the privatization of Banespa;
- class actions involving agreements and settlement of debts with the public sector; and
- suits brought by employees, former employees and unions relating to alleged labor rights violations.

In accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, we record provisions for administrative and judicial proceedings in which we assess the chances of loss to be probable and we do not record provisions when the chances of loss are possible or remote. In cases where we litigate a claim, we record a provision for our estimate of the probable loss based on historical data for similar claims. In addition, we record provisions (1) on a case-by-case basis based on the analysis and legal opinion of internal and external counsel or

(2) by considering the historical average amount of loss of such category of lawsuits. Due to the established provisions and the legal opinions provided, we believe that any liabilities related to these lawsuits or proceedings will not have a material adverse effect on our financial condition or results of operations.

As of December 31, 2011, our judicial and administrative proceedings classified as probable loss risk (tax, labor and civil) amounted to approximately R$14.5 billion and have been provisioned and our judicial and administrative proceedings classified as possible loss risk (tax, labor and civil) amounted to approximately R$11.9 billion.

Tax Litigation

We are a party to several tax-related lawsuits and administrative actions. As of December 31, 2011, our probable loss risk litigation and legal obligations amounted to approximately R$9.7 billion, and have been provisioned and our possible loss risk litigation amounted to approximately R$10.4 billion.

In November 2009, we and our controlled entities joined the program of installments and payment of tax and social security established by Law No. 11,941/2009. The accounting effects of the amounts paid in one lump sum and certain debts settled as installments were recognized at the time of payment and consolidation, respectively. We are still awaiting the consolidation of a portion of the debts, at which point their accounting effects will be recognized, which effects are not expected to be significant when recognized.

The main judicial and administrative proceedings that remain in place after the application of Law No. 11,941/2009 are:

PIS/COFINS. We filed lawsuits seeking to invalidate the provisions of Law No. 9,718/98, pursuant to which PIS and COFINS taxes must be levied on all revenues of legal entities. Prior to the enactment of such provisions, which have been overruled by recent Supreme Court decisions for nonfinancial institutions, PIS and COFINS were levied only on revenues from services and sale of goods. As of December 31, 2011 these claims amounted to R$6,833 million and are fully provisioned.

Social contribution tax.

- *Equal tax treatment.* We filed a lawsuit challenging the application of an increased Social Contribution on Net Income (*Contribuição Social sobre o Lucro Líquido*) or "CSLL" rate of 18.0% for financial institutions, applicable until 1998, compared to the CSLL rate of 8.0% for non-financial institutions on the basis of the constitutional principle of equal tax treatment. As of December 31, 2011 the amount related to this claim totaled R$49 million and is fully provisioned.

- *Tax rate increase.* We filed for an injunction to avoid the increase in the CSLL tax rate established by Executive Act No. 413/2008, subsequently codified into Law No. 11,727/2008. Financial institutions were formerly subject to a CSLL tax rate of 9.0%; however, Law No. 11,727/2008 established a 15.0% CSLL tax rate as from April 2008. Judicial proceedings are pending judgment. As of December 31, 2011 the amount related to this injunction totaled R$980 million and is fully provisioned.

- *Tax on services for financial institutions*. Certain municipalities levy Service Tax (Imposto Sobre Serviços – ISS) taxes on certain revenues derived from transactions not usually classified as the rendering of services. In such cases, we have argued in administrative and judicial proceedings against the payment of ISS. As of December 31, 2011, amounts related to these proceedings totaled R$542 million and are fully provisioned.

- *Social security contribution*. We are involved in administrative and judicial proceedings regarding the collection of income tax on social security and education allowance contributions as we believe that these benefits do not constitute salary. As of December 31, 2011, amounts related to these proceedings totaled R$288 million and are fully provisioned.

Contingent liabilities classified as possible risk of loss refer to judicial and administrative proceedings involving tax matters assessed by legal counsels as possible losses, which were not accounted for. The main lawsuits include:

Taxes on banking transactions. In May 2003, the Federal Revenue Service issued a tax assessment against Santander Distribuidora de Títulos e Valores Mobiliários Ltda. ("Santander DTVM") and another tax assessment against our predecessor, Banco Santander Brasil S.A. The tax assessments refer to the collection of a Provisional Contribution on Financial Transactions (*"Contribuição Provisória sobre Movimentação Financeira")* or "CPMF" tax on transactions conducted by Santander DTVM in the management of its customers' funds and clearance services provided by our predecessor to Santander DTVM in 2000, 2001 and the first two months of 2002. We believe that the tax treatment was adequate. Santander DTVM succeeded in the first instance in its proceeding before the tax appeals board, while Banco Santander Brasil S.A. was found liable for the tax assessment. Both decisions were appealed by the respective losing parties and the proceedings are pending final judgment of the respective appeals in a non-appealable proceeding before the Board of Tax Appeals (*Conselho Administrativo de Recursos Fiscais*) or "CARF". As of December 31, 2011 amounts related to these claims are approximately R$564 million each.

Taxes on reimbursements arising from contractual guarantees. The Federal Revenue Service issued infraction notices against Santander Brasil with respect to the collection of IRPJ and CSLL taxes for tax years 2002 to 2006 on amounts reimbursed by the previous controlling shareholder of Group Bozano Simonsen's (one of our former bank entities) as reimbursement obligations for payments made by us and our controlled entities as a result of contingent liabilities arising from the activities of Group Bozano Simonsen carried out when the previous controlling shareholder still maintained control of such group. The Federal Revenue Service deemed the amounts to be "taxable income" rather than reimbursements. In November 2011, a public hearing was held before CARF and a unanimous decision was handed down to cancel the tax assessments corresponding to the 2002 tax year. In February 2012 this decision was declared non-appealable, so there is no potential tax liability related to this claim for the 2002 tax year. Proceedings related to tax years 2003 to 2006 are ongoing. As of December 31, 2011 amounts related to this infraction are approximately R$644 million.

Losses on loans. We have challenged the tax assessments issued by the Federal Revenue Services claiming that our deduction of losses on loans from Income Tax of Legal Entities (*Imposto de Renda das Pessoas Jurídicas – IRPJ*) and CSLL bases have not met the relevant requirements under applicable law. As of December 31, 2011 the amount related to this challenge is approximately R$335 million.

Federal Revenue Services allegation. We have challenged the Federal Revenue Services allegation of irregularities in certain CSLL tax payments, due to a final and non-appealable judgment cancelling the requirement of such CSLL taxes pursuant to Law No. 7,689/1988 and Law No. 7,787/1989. Two of our subsidiaries are involved in separate actions relating to this proceeding. As of December 31, 2011 amounts related to these actions are approximately R$170 million.

Alleged non-compliance with amnesty law. The federal government has demanded payment of certain CSLL taxes from certain entities, including one of our former bank entities, alleging that such entities did not fulfill all the requirements listed under a tax amnesty issued under Law No. 9779/1999. Administrative and judicial proceedings are pending judgment. In 2011, the former shareholders of the entity from which the federal government has demanded payment agreed to assume the liability in connection with this claim and we do not expect to have any further liability with respect to this claim.

Allowance for doubtful accounts. The tax authorities have requested payment of certain amounts relating to CSLL and IRPJ levied on amounts for doubtful accounts that were allegedly improperly deducted due to non-compliance with tax criteria in effect in 1995. In 2011, the former shareholders of the entity from which the tax authorities have demanded payment agreed to assume the liability in connection with this claim and we do not expect to have any further liability with respect to this claim.

Social Security Contribution – Profit Sharing Payments (Participação nos Lucros e Resultados or "PLR"). We are involved in administrative and judicial proceedings arising from infraction notices with respect to the collection of social security contributions on profit sharing payments. The tax authorities claim that payments by us were not made in accordance with law. We have appealed against these charges, since we consider the tax treatment to be appropriate based on applicable law and the nature of the payments. As of December 31, 2011 amounts related to these proceedings totaled approximately R$273 million.

IRPJ and CSLL – Capital Gain. The Brazilian Federal Revenue Service issued a tax assessment against Santander Seguros (legal successor of ABN AMRO Brasil Dois Participações S.A. (AAB Dois Par)) charging income tax and social contribution related to the 2005 tax year. The Brazilian Federal Revenue Services claims that the capital gain on the sale of Real Seguros S.A. and Real Vida e Previdência S.A. by AAB Dois Par should be paid at a 34% tax rate instead of 15%. The assessment was appealed at the administrative level based on our understanding that the tax treatment adopted in the transaction was in compliance with the current tax law and the capital gain was properly taxed. The administrative process is set for trial. Banco Santander is responsible for any adverse outcome in this process as a former controller of Santander Insurance. As of December 31, 2011 the amount related to this proceeding is approximately R$212 million.

Labor Litigation

Similar to many other Brazilian banks, we are defending lawsuits brought by labor unions or individual employees seeking, in general, compensation for overtime work, lost wages and other labor rights, including lawsuits relating to retiree complaints about pension benefits. We believe we have either paid or adequately provisioned for all such potential liabilities. In addition, we are defendants in labor lawsuits filed by third-party employees that rendered or render services to us through service providers. Brazilian courts understand that if a third-party service provider fails to pay its employee, the employee has the right to demand payment directly from the company to which it rendered its services. As of December 31, 2011, our probable loss risk labor-related litigation amounted to R$3.3 billion, and is fully provisioned; our possible loss risk labor-related litigation amounted to R$1.3 billion.

Civil Litigation

We are a party to civil lawsuits claiming damages and other civil remedies. These disputes normally fall within one of the following categories typical for Brazilian banks: (1) actions requesting the review of contractual terms and conditions or seeking monetary adjustments, including the alleged effects of implementation of various economic government plans; (2) actions arising from loan agreements; (3) execution actions; and (4) actions seeking damages. As of December 31, 2011, our probable loss risk civil litigation liabilities were R$1.5 billion, which it have been provisioned and our possible loss risk civil litigation liabilities were R$0.3 billion. For civil lawsuits considered to be common and similar in nature, the provisions are recorded based on statistical average previous payments, and on the legal counsel's evaluation of success. Provisions for other lawsuits are determined individually on a case-by-case basis.

Other Litigation

In addition to the matters described above, we are from time to time subject to certain claims and parties to certain legal proceedings incidental to the normal course of our business, including in connection with our lending activities, relationships with our employees and other commercial or tax matters. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in the early stages of discovery, we cannot state with confidence what the eventual outcome of these pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines or penalties related to each pending matter may be. We believe that we have made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings and believe that liabilities related to such claims and proceedings should not have, in the aggregate, a material adverse effect on our business, financial condition, or results of operations. However, in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by us; as a result, the outcome of a particular matter may be material to our operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and our level of income for that period.

Contingent liabilities classified as possible risk of loss refer to judicial and administrative proceedings involving other matters assessed by legal counsels as possible losses, which were not accounted for. The main lawsuits include:

Addition to the Price on the Purchase of Shares of Banespa - We are party to administrative and judicial proceedings with the National Treasury with respect to an adjustment to the purchase price at the time we acquired Banespa. Pursuant to the purchase and sale agreement for Banespa, we would have been required to pay an amount in addition to the agreed purchase price if we were released from the obligation to pay a certain tax contingency for which Banespa was liable at the time of acquisition. In 2002, this tax contingency was paid at a discount due to a tax law in effect at the time. As a result, the National Treasury claimed it was due the additional amount initially negotiated in the purchase and sale agreement for Banespa. We were subject to an unfavorable ruling at the lower court, but on April 23, 2008, the First Region Federal Court accepted the Bank's argument on appeal and declared that the Bank would not be required to make this additional payment. As of the date of this annual report, we are awaiting the decision on the appeal by the National Treasury. As of December 31, 2011 the amount related to this proceeding is approximately R$422 million.

Semiannual Bonus or Profit Sharing. We are party to a labor lawsuit relating to the payment of a semiannual bonus or, successively, profit sharing, to retired employees from the former Banespa, that had been hired by May 22, 1975. This lawsuit was filed by Banespa's Retirees Association and judgments were entered against us by the Superior Labor Court. We have filed an appeal, which has been admitted to the Supreme Court. The amount related to this claim is not disclosed due to the current stage of the lawsuit and the possible impact such disclosure may have on the progress of the claim.

In addition to the above-mentioned proceedings, in December 2008, the Federal Revenue Service issued an infraction notice against us in the total amount of R$3.9 billion with respect to IRPJ and CSLL related to 2002 to 2004, for which we believe the risk of loss to Santander Brasil to be remote. The tax authorities assert that Santander Brasil did not meet the legal requirements for deducting amortization of the goodwill arising from the acquisition of Banespa. On October 21, 2011 a public hearing was held at the CARF and a unanimous decision was handed down to cancel the tax assessments corresponding to those tax years. This resolution can be appealed by the Brazilian tax administration. In June 2010, the Federal Revenue Service issued other infraction notices in the total amount of R$1,420 million, based on the same concepts as the previous notice, with respect to IRPJ and CSSL related to 2005 to 2007. The administrative proceedings are pending judgment. In accordance with the advice of our external legal counsel, we find that the Federal Revenue Service's position is incorrect, that the grounds to contest those claims are well founded, and that the risk of loss is remote. Accordingly, we have not recorded any provisions for this matter since this issue should not have an impact on our consolidated financial statements.

Grand Cayman Branch

We have a branch in the Cayman Islands with its own staff and representative officers. Banco Santander S.A. – Grand Cayman Branch is licensed under The Banks and Trust Companies Law (2009 Revision) as a Category "B" Bank and it is duly registered as a Foreign Company with the Registrar of Companies in Grand Cayman, Cayman Islands. The branch, therefore, is duly authorized to carry on banking business in the Cayman Islands. The branch was authorized by the local authorities to act as its own registered office and it is located at the Waterfront Centre Building, 28, North Church Street – 2nd floor, Grand Cayman, Cayman Islands, P.O. Box 10444 - KYI-1004, Phone: 1-345-769-4401 and Fax: 1-345-769-4601.

Our Grand Cayman Branch is currently engaged in the business of sourcing funds in the international banking and capital markets to provide credit lines for us, which are then extended to our customers for working capital and trade-related financings. It also takes deposits in foreign currency from corporate and individual clients and extends credit to Brazilian and non-Brazilian clients, mainly to support trade transactions with Brazil. The results of the operations of the Grand Cayman Branch are consolidated in our consolidated financial statements.

REGULATORY OVERVIEW

Principal Financial Institutions

Public Sector

The federal and state governments of Brazil control several commercial banks and financial institutions which play an important role in the Brazilian banking sector. These institutions represent a significant share of all deposits and assets in the banking system and a strong presence in specific market offerings, such as real estate and rural finance provided by private sector banks. Government-controlled banks include:

- Banco do Brasil, which is a federal government-controlled bank and provides a full range of banking products to the public and private sectors. Banco do Brasil is the primary financial agent of the federal government.

- BNDES, which is the federal government-controlled development bank, primarily engaged in the provision of medium- and long-term finance to the Brazilian private sector, particularly to industry, either directly or indirectly, through other public and private-sector financial institutions.

- Caixa Econômica Federal, which is the federal government-controlled multiple-service bank and the principal agent of the National Housing Finance System. Caixa Econômica Federal is involved principally in deposit-taking and the provision of finance for housing and urban infrastructure.

- Other public sector development and multiple-service banks, including those controlled by the various state governments.

Private Sector

The private financial sector includes multiple-service banks, commercial banks, investment, finance and credit companies, investment banks, securities dealers, stock brokerage firms, credit cooperatives, leasing companies, insurance companies and others. In Brazil, the largest participants in the financial markets are financial conglomerates involved in commercial banking, investment banking, financing, leasing, securities dealing, brokerage and insurance.

According to the Brazilian Central Bank, as of February, 2012 there were 2,191 financial institutions operating in Brazil, including:

- *Commercial banks* — 21 commercial banks operated in Brazil, engaged mainly in wholesale and retail banking and particularly in taking demand deposits and lending for working capital purposes.

- *Investment banks* — 14 investment banks operated in Brazil, engaged primarily in taking time deposits, specialized lending and securities underwriting and trading.

- *Bancos Múltiplos (Multiple-service banks)* — 139 multiple-service banks operated in Brazil providing, through a full range of commercial banking, investment banking (including securities underwriting and trading), consumer financing and other services including fund management and real estate finance pursuant to CMN Resolution No. 2,099 of August 17, 1994, as amended. Certain public sector banks such as Caixa Econômica Federal are also multiple-service banks.

- In addition to the institutions mentioned above, the Brazilian Central Bank also supervises the operations of consumer credit companies (*financeiras*), securities dealers (*distribuidoras de títulos e valores mobiliários*), stock brokerage companies (*corretoras de valores*), leasing companies (*sociedades de arrendamento mercantil*), savings and credit associations (*associações de poupança e empréstimo*) and real estate credit companies (*sociedades de crédito imobiliário*).

Banking Regulation

The basic institutional framework of the Brazilian financial system was established in 1964 by Law No. 4,595, as amended, the "Banking Reform Law". The Banking Reform Law created the CMN, responsible for examining monetary and foreign currency policies pertaining to economic and social development as well as operating the financial system.

Principal Limitations and Restrictions on Financial Institutions

The activities of financial institutions are subject to a series of limitations and restrictions. In general, such limitations and restrictions refer to the offering of credit, risk concentration, investments, conditional operations, foreign currency loans and negotiations, the administration of third party funds and microcredit. The principal restrictions on banking activities established by the Banking Reform Law are as follows:

- No financial, banking or credit institution may operate in Brazil without the prior approval of the Brazilian Central Bank. In addition, foreign banks, in order to operate in Brazil, must be expressly authorized to do so by Presidential decrees.

- A financial, banking or credit institution may not invest in the equity of any other company except where such investment receives Brazilian Central Bank approval based upon certain standards established by the CMN. Such investments may, however, be made without restriction through the investment banking unit of a multiple-service bank or through an investment bank subsidiary.

- A financial, banking or credit institution may not own real estate, except where it occupies such property and subject to certain limitations imposed by the CMN. If a financial, banking or credit institution receives real estate in satisfaction of a debt, such property must be sold within one year, unless otherwise authorized by the Brazilian Central Bank.

- Financial institutions are prohibited from carrying out transactions that fail to comply with the principles of selectivity, guarantee, liquidity and risk diversification.

- Financial institutions are prohibited from granting loans or advances without constituting an appropriate deed representing such debt.

- A financial, banking or credit institution may not lend more than 25.0% of its net worth to any single person or group.

- A financial, banking or credit institution may not grant loans to or guarantee transactions of any company in which it holds more than 10.0% of the share capital.

- A financial, banking or credit institution may not grant loans to or guarantee transactions of its executive officers and directors (including the immediate and extended families of executive officers and directors) or to any company in which executive officers and directors (including the immediate and extended families of executive officers and directors) hold more than 10.0% of the share capital.

- Financial institutions are prohibited from carrying out conditional operations, namely those involving assets that are sold or purchased based on the occurrence of a number of specific conditions, in excess of an amount corresponding to thirty times their reference assets.

- The administration of third-party funds should be segregated from other activities and in compliance with the relevant rules imposed by the CVM.

- The registered capital and total net assets of financial institutions should always be compatible with the rules governing share capital and minimum capitalization imposed by the Brazilian Central Bank for each type of financial institution.

- The total amount of funds applied in the fixed assets of financial institutions cannot exceed 50.0% of the respective amount of reference assets.

- Financial institutions may not expose themselves to gold, assets or liabilities referenced in currency exchange variations in excess of 30.0% of their reference equity, pursuant to CMN Resolution No. 3,488, dated August 29, 2007.

- Financial institutions are subject to anti-money laundering regulations.

Principal Regulatory Agencies

The Brazilian national financial system (*Sistema Financeiro Nacional*) is composed of the following regulatory and supervisory bodies:

- the CMN;

- the Brazilian Central Bank; and

- the CVM.

In addition, the insurance operations are subject to the following regulatory and inspection bodies:

- SUSEP;

- CNSP; and

- The Complementary Pension Secretariat (*Superintendência Nacional de Previdência Complementar-Previc*).

In addition, certain Brazilian financial institutions, including us, are members of ANBIMA, a self-regulatory association that regulates the activities of the entities that operate in the Brazilian financial and capital markets.

The CMN, the Brazilian Central Bank and the CVM regulate the Brazilian financial system. Below is a summary of the main functions and powers of each of these regulatory bodies.

The CMN

The CMN, the highest authority responsible for regulating fiscal policies in Brazil, oversees the supervision of Brazilian monetary, credit, budgetary, fiscal and public debt policies. The CMN includes the president of the Brazilian Central Bank, the Minister of Planning and the Minister of Finance and is chaired by the Minister of Finance. Pursuant to the Banking Reform Law, the CMN is authorized to regulate the credit operations of the Brazilian financial institutions, to regulate the Brazilian currency, to supervise Brazil's reserves of gold and foreign exchange, to determine Brazilian savings and investment policies and to regulate the Brazilian capital markets with the purpose of promoting the economic and social development of Brazil. In this regard, the CMN also oversees the activities of the Brazilian Central Bank and the CVM. The main responsibilities of the CMN are:

- coordinating monetary, credit, budget, tax and public debt policies;

- establishing foreign exchange and interest rate policies;

- protecting the liquidity and solvency of financial institutions;

- overseeing activities related to the stock exchange markets;

- regulating the constitution and operation of financial institutions;

- granting authority to the Brazilian Central Bank to issue currency and establishing reserve requirement levels; and

- establishing general directives for banking and financial markets.

The Brazilian Central Bank

According to the Banking Reform Law, the Brazilian Central Bank is responsible for implementing policies of the CMN as they relate to monetary and exchange control matters, regulating public and private sector Brazilian financial institutions and the monitoring and regulation of foreign investment in Brazil. The President of the Brazilian Central Bank is appointed by the President of Brazil for an indefinite term of office subject to ratification by the Brazilian Senate.

The Brazilian Central Bank is also responsible for:

- managing the day-to-day control over foreign capital flow in and out of Brazil (risk capital and loans in any form);

- setting forth the administrative rules and regulations for registering investments;

- monitoring foreign currency remittances;

- allowing repatriation of funds. In the event of a serious deficit in Brazilian balance of payment, the Brazilian Central Bank may limit profit remittances and prohibit remittances as capital repatriation for a limited period of time;

- receiving compulsory withholdings and voluntary demand deposits from financial institutions;

- executing rediscount transactions and loans to banking financial institutions and other institutions authorized to operate by the Brazilian Central Bank;

- acting as a depository of gold and foreign currency reserves; and

- controlling and approving the incorporation, functioning, transfer of control and equity reorganization of financial institutions and other institutions authorized to operate by the Brazilian Central Bank.

The CVM

The CVM is the agency responsible for implementing CMN policy and it regulates, develops, controls and inspects the securities market. The CVM's headquarters is in Rio de Janeiro and it has jurisdiction in all Brazilian territory. The CVM is a quasi-governmental agency connected with the Ministry of Finance. It has independent administrative authority and legal standing and maintains its own assets. Pursuant to Law No. 6,385, dated December 7, 1976, as amended and regulated, the main responsibilities of the CVM are:

- implementing and regulating the securities and exchange policies established by the CMN; and

- controlling and supervising the Brazilian securities market by:

  - approving, suspending and canceling the registration of public companies, the authorization for brokers and dealers to operate in the securities market and public offerings of securities;

  - supervising the activities of public companies, stock exchanges, commodities and futures exchanges, market members, and financial investment funds and variable income funds;

  - requiring full disclosure of material events affecting the market, as well as annual and quarterly reporting by public companies; and

  - imposing penalties.

Since 2001, the CVM has had jurisdiction to regulate and supervise financial and investment funds that were originally regulated and supervised by the Brazilian Central Bank.

In accordance with the Brazilian Securities Exchange Law, the CVM is managed by one president and four directors as appointed by the President of Brazil (and approved by the Senate), selected from among individuals of good reputation and recognized expertise in the area of capital markets. CVM directors are appointed for a single five-year term, and one-fifth of the members must be renewed on a yearly basis.

All decisions handed down by the CVM and the Brazilian Central Bank in administrative proceedings relating to the national financial system and the securities market are subject to appeal to the Board of Appeals of the National Financial System (*Conselho de Recursos do Sistema Financeiro Nacional*), which is composed of four members appointed by public authorities and four members from the private sector.

ANBIMA

ANBIMA was created in October 2009, as a result of the consolidation of the former National Association of Investment Banks (*Associação Nacional dos Bancos de Investimento*), or "ANBID", and the National Association of Financial Market Institutions (*Associação Nacional das Instituições do Mercado Financeiro*), or "ANDIMA". ANBIMA is a private regulatory body that acts as the main representative of entities operating in the Brazilian financial and capital markets. Its purpose is to strengthen the development of the financial and capital markets in Brazil. ANBIMA seeks to act in an innovative fashion, representing its members' interests and regulating its members' activities, often adopting rules that are generally more restrictive than the government legislation currently in force. ANBIMA also acts as a provider of Brazilian financial and capital markets information and promotes several initiatives for increased investor and market professional education.

ANBIMA's members are investment banks and multiple service banks, asset managers, brokerage firms, securities dealerships and investments consultants.

Regulation by the Brazilian Central Bank

The Banking Reform Law empowered the Brazilian Central Bank to implement the currency and credit policies established by the CMN and to control and supervise all public and private sector financial institutions. Pursuant to the Banking Reform Law, the Brazilian Central Bank is responsible for:

- approving all corporate documents of a financial institution, any amendments thereto, any increase in capital, the setting up or transfer of its main location of business or any branch (whether in Brazil or abroad) and changes of control and equity reorganization;

- determining the minimum capital requirements, compulsory deposit requirements and operational limits of financial institutions;

- overseeing the filing by financial institutions of annual and semi-annual financial statements audited by independent auditors, formal audit opinions and monthly unaudited financial statements prepared in compliance with the standard accounting rules established by the Brazilian Central Bank for each type of financial institution;

- requiring financial institutions to make full disclosure of credit transactions, foreign exchange transactions, destination of proceeds raised from export and import transactions and any other related economic activity on a daily basis through computer systems and written reports and statements; and

- approving the election of the members of statutory bodies of a financial institution.

The Brazilian Central Bank regulations impose, among others, specific requirements as set forth below.

Capital Adequacy and Leverage

The Brazilian Central Bank supervises the Brazilian banking system in accordance with the Basel Committee guidelines and other applicable regulations, including the Basel II Accord, which is currently being implemented, according to the Notices Nos. 12,746, dated December 9, 2004, 16,137, dated September 27, 2007 and 19,028, dated October 29, 2009. The banks provide the Brazilian Central Bank with the information necessary for it to perform its supervisory functions, which include supervising the movements in the solvency or capital adequacy of banks.

The main principle of the Basel Accord as implemented in Brazil is that a bank's own resources must cover its principal risks, including credit risk, market risk and operational risk.

On December 16, 2010, the Basel Committee on banking Supervision issued its new Basel III framework. The Basel III framework includes higher minimum capital requirements and new conservation and countercyclical buffers, revised risk-based capital measures, and the introduction of a new leverage ratio and two liquidity standards. The new rules will be phased in gradually and, as with other Basel directives, these will not be self-effectuating. Rather, each country must adopt them by legislation or regulation to be imposed upon that country's home banks.

On February 17, 2011, the Brazilian Central Bank enacted Notice No. 20,615 containing preliminary guidance and the schedule for the implementation of Basel III in Brazil. It is intended that the higher minimum capital requirements and new conservation and countercyclical buffers, revised risk-based capital measures, and the introduction of a new leverage ratio and two liquidity standards will be implemented in Brazil in line with the international schedule. Basel III complements existing rules, creating new parameters for absorption of greater system-wide risk to the banking system as the result of a build-up of excess credit growth in the jurisdiction. The Basel ratio would be increased from the current 11% to the maximum of 13%. The total ratio will be calculated by the sum of three parts: the Regulatory Capital (Patrimônio de Referência), the Conservation Capital (to assist the absorption of losses) and the Countercyclical Capital (to deal with risks of the macroeconomic environment).

The Regulatory Capital will continue to be composed by two tiers. Tier I capital will have a 6% floor, divided into two portions: common equity (corporate capital and profit reserves) of at least 4.5% and additional equity (hybrid debt and capital instruments authorized by the Brazilian Central Bank). Current hybrid instruments and subordinated debt approved by the Brazilian Central Bank as additional capital or Tier II are expected to be maintained if they also comply with Basel III requirements, including the mandatory conversion clauses into equity as directed by the Basel Committee. If such instruments do not comply with Basel III rules, there will be an estimated yearly deduction of 10% on the nominal value of such instruments, starting as from January 1, 2013.

The Basel III rules also provide for new metrics for the analysis of banks. The leverage ratio prevents the banks from entering into transactions exceeding a ratio calculated by the division of the Tier I capital by bank's total exposure. Such leverage ratio will be capped at 3% of the risk-weighted assets as from 2018. The liquidity ratios of short and long term shall control the cash funds of the banks (for example, obligation to maintain liquid assets for stress scenarios of the financial system for 30 days and funding with solid and stable capital).

The following table presents an estimate of the implementation schedule of the main changes related to capital adequacy and leverage expected with respect to Basel III, as indicated by the Brazilian Central Bank, as per Notice No. 20,615:

Parameters	**January 1, 2013**	**January 1, 2014**	**January 1, 2015**	**January 1, 2016**	**January 1, 2017**	**January 1, 2018**	**As from January 1, 2019**
Common Equity	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Tier I	5.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Regulatory Capital	11.0%	11.0%	11.0%	9.9%	9.3%	8.6%	8.0%
Conservative Capital	–	–	–	0.6%	1.3%	1.9%	2.5%
Countercyclical Capital	–	Up to 0.6%	Up to 1.3%	Up to 1.9%	Up to 2.5%	Up to 2.5%	Up to 2.5%

On February 17, 2012, the Central Bank proposed new regulations for implementing Basel III in Brazil and announced a process for public comment of such draft regulations ("Public Hearing 40/2012"). The public comment period is 90 days, ending on May 17, 2012. Under the proposed regulations, capital requirements would be applied at the consolidated enterprise level (*consolidado prudencial*), as determined by the Brazilian Central Bank. The implementation of Basel III in the proposed rules still follows the schedule outlined in Notice 20,615. Some specific adjustments to the components to the regulatory capital to increase its quality, with progressive deductions, are expected to be implemented from January 1, 2014 to January 1, 2018. With respect to eligibility for Tier 1 and Tier 2, the possibility of conversion into equity was included. Mandatory conversion rules (delivery of equity in payment) and write-off rules, as well as implications of non-compliance with requirements for additional capital, are still under review. Public Hearing 40/2012 proposed regulations are subject to comment by market participants and may be significantly changed by the Brazilian Central Bank upon their final implementation. Until definitive rules implementing Basel III in Brazil are issued, the existing capital rules continue to be in force.

Currently, the rules in effect remain unchanged, as described below.

Through several rules, specifically CMN Resolution No. 3,490, dated August 29, 2007, Circulars Nos. 3,360 and 3,361, dated September 12, 2007, Circular No. 3,383, dated April 30, 2008, all as amended, the requirements imposed by the Brazilian Central Bank differ from the Basel Accord in several aspects. For example, the Brazilian Central Bank:

- imposes a minimum capital requirement of 11.0% instead of 8.0% as defined by the Basel Accord;
- requires an additional amount of capital with respect to off-balance sheet interest rate and foreign currency swap operations;
- assigns different risk weighting and credit conversion factors to some assets, including a risk weighting of 300% on deferred tax assets other than temporary differences;
- requires calculation and report on minimum capital requirements and capital ratios on a consolidated basis;
- requires banks to set aside a portion of their equity to cover operational risks as of July 1, 2008. The required portion of the equity varies from 12.0% to 18.0% of average gross income amounts from financial intermediation. Circular No. 3,476 of December 24, 2009 establishes a formula to calculate the operational risk of non-financial institutions which are part of the bank;
- does not allow the use of external rating to calculate the minimum capital required. The Brazilian Central Bank adopts a conservative approach to defining the capital demand of corporate exposures; and
- requires banks to establish specific internal structures to identify, measure, control and mitigate operational and credit risks.

On March 8, 2012, the Brazilian Central Bank enacted Circular No. 3,581, which establishes the minimum requirements for the use of internal credit risk classification systems in the calculation of the PEPR portion of the required regulatory capital (relating to the exposures weighted by the applicable risk weighted factor), as set forth in CMN Resolution No. 3,490.

On November 11, 2011, the Brazilian Central Bank enacted Circular No. 3,563 ("Circular 3,563/11") which amended Circular No. 3,360, of September 12, 2007 and revoked Circular No. 3,515, dated December 3, 2010, establishing certain measures to ease the capital requirements relating to certain retail transactions given the current economic scenario. Among such measures, Circular 3,563/11 reduced the credit risk factor, from 150% to 75% or 100%, applicable to (1) payroll loans, (2) guaranteed financings for vehicle acquisition or vehicle leasing with a term of up to 60 months, (3) other individual loans without specific purpose with a term of up to 36 months and (4) other individual loans without specific purpose with a term longer than 60 months and entered into or renegotiated after November 11, 2011. In contrast, Circular 3,563/11 increased the credit risk factor applicable to long-term individual financings, establishing that a 300.0% credit risk factor is applicable to individual loans without specific purpose, including payroll loans, with a term longer than 60 months, entered into or renegotiated on or before November 11, 2011. In addition, Circular 3,563/11 revoked the requirement of a minimum of 20.0% payment of the outstanding balance on credit cards which would be applicable as of December 1, 2011, maintaining the minimum payment requirement at 15.0% of the outstanding balance. Finally, Circular 3,563/11 authorized the deduction of provisions from benefits to be paid from financial institutions' exposure to investment funds with special purpose (*Fundos de Investimentos Especialmente Constituidos,* or "FIE") relating to pension plan funds of the type *Vida "Gerador de Benefício Livre – VGBL"* or "*Plano Gerador de Benefício Livre – PGBL"*.

On December 24, 2009, the Brazilian Central Bank enacted Circular No. 3,477 which governs rules related to disclosure of information related to risk management and capital base composition for regulatory purposes. Such disclosure shall be set out in a formal policy approved by the board of directors, and shall comprise detailed information regarding the internal structure of risk management strategies, the amounts involved in transactions which are subject to risk, guarantees, global exposure to risk, securitization, and other relevant information. The disclosure must be updated annually or quarterly, as the case may be, and was required as of April 2011.

Furthermore, also on December 24, 2009, the Brazilian Central Bank, through Circular No. 3,478, established minimum requirements for financial institutions to create internal regulations for calculation of percentage of capital which may be allocated to market risks, subject to the prior approval of the Brazilian Central Bank.

Pursuant to CMN Resolution No. 3,444, dated February 28, 2007, as amended, a bank's capital base composition, for supervisory purposes, is defined in two tiers according to Brazilian rules:

- *Tier I*: Corresponds to the core capital comprised of equity capital and net profits minus (1) expense accounts, (2) revaluation reserves, (3) contingency reserves, (4) non-distributed dividends reserves, (5) preferred cumulative stock and preferred redeemable stock, (6) specific deferred tax assets, (7) unrealized gain and losses of financial instruments recorded as equity, and (8) specific deferred assets.

- *Tier II*: Consists of revaluation reserves, contingency reserves, non-distributed dividends reserves, hybrid debt capital instruments, subordinated term debt, unrealized gain and losses of financial instruments recorded as equity, preferred cumulative stock and preferred redeemable stock issued by financial institutions.

The total amount of Tier II capital cannot exceed the total amount of Tier I capital, and Brazilian regulation imposes limits on the Tier II capital, as follows:

- subordinated debt in Tier II capital, plus the amount of preferred redeemable stock originally maturing in less than ten years, cannot exceed 50.0% of the Tier I capital;

- revaluation reserves in Tier II capital cannot exceed 25.0% of the Tier I capital; and

- a 20.0% to 100.0% reduction shall be applied to the amount of the subordinated debt and preferred redeemable stock in Tier II capital annually for the five years preceding the respective maturities.

Additionally, the following components are deducted from the capital:

(1) amounts paid into investment funds' capital, proportionate to the interest on each fund's portfolio,

(2) acquisition or indirect interest on financial conglomerates, through any non-financial affiliated entity,

(3) assets related to funding instruments such as hybrid capital instruments, debt instruments and subordinated debt issued by financial institutions and other institutions authorized to operate by the Brazilian Central Bank, and

(4) amounts related to premises or corporate interest in foreign financial institutions to which the Brazilian Central Bank does not have access to enough information, data and/or documents to carry on consolidated global supervision.

Provisional Measure No. 472, enacted on December 15, 2009 and converted into Law No. 12,249 of June 11, 2010, established the concept of the Financial Bill (*Letra Financeira*), which was a new funding alternative for financial institutions that can be characterized as subordinated debt or a hybrid instrument of capital for purposes of capital adequacy rules. Pursuant to CMN Resolution No. 3,836 of February 25, 2010, its minimum term must be 24 months and it must be issued for a minimum denomination of R$300 thousand. CVM Ruling No. 488, enacted on December 16, 2010, established the procedures for public distribution of Financial Bills, by means of a program with multiple series that may be issued from time to time.

The Role of the Public Sector in the Brazilian Banking System

In light of the global financial crisis, on October 6, 2008, the Brazilian President enacted provisional regulations related to the use of international reserves of foreign currency by the Brazilian Central Bank in order to provide financial institutions with liquidity by means of rediscount and loan transactions. Furthermore, on October 21, 2008, the Brazilian President enacted provisional regulations increasing the role of the public sector in the Brazilian banking system. These regulations authorize (1) Banco do Brasil and Caixa Econômica Federal to directly or indirectly acquire controlling and non-controlling stakes in private and public financial institutions in Brazil, including insurance companies, social welfare institutions and capitalization companies; (2) the creation of Caixa Banco de Investimentos S.A., a wholly-owned subsidiary of Caixa Econômica Federal, with the objective of conducting investment banking activities; and (3) the Brazilian Central Bank to carry out currency swap transactions with the central banks of other countries. Such provisional regulation was enacted into Law No. 11,908 on March 3, 2009.

Reserve and Other Requirements

Currently, the Brazilian Central Bank imposes a series of requirements on financial institutions regarding compulsory reserves. Financial institutions must deposit these reserves at the Brazilian Central Bank. The Brazilian Central Bank uses reserve requirements as a mechanism to control the liquidity of the Brazilian financial system. Reserves imposed on current account, savings and time deposits represent almost the entirety of the amount that must be deposited at the Brazilian Central Bank.

Since the financial crisis of 2008, the CMN and the Brazilian Central Bank enacted measures to modify Brazilian banking laws in order to provide the financial market with greater liquidity. By the end of 2010 and beginning of 2011, some of these measures were restored to levels existing prior to the crisis. Currently the main provisions are the following:

- Increases in the rate for demand deposit reserve requirements from 42.0% by July 2010 to a rate of 43.0% from July 2010 to July 2012, 44.0% from July 2012 to July 2014 and 45.0% as of July 2014;

- Increases in the additional rate for demand and time deposit reserve requirements from 8.0% to 12.0% (for savings deposits the rate was maintained at 10.0%);

- Limitation on deductibility from the additional rate for demand, savings and time deposit reserve requirements for financial institutions with consolidated Tier 1 Capital of (1) less than R$2 billion has been increased to R$3 billion, (2) equal to or greater than R$2 billion and less than R$5 billion has been increased from R$1.5 billion to R$2 billion, (3) equal to or greater than R$5 billion and less than R$15 billion has been set at R$1 billion, and (4) greater than R$15 billion has been established at zero;

- Increase in the reserve requirement for time deposits from 15.0% to 20.0%;

- Limitation on deductibility from time deposit reserve requirements for financial institutions with consolidated Tier 1 Capital of (i) less than R$2 billion has been increased from R$2 billion to R$3 billion, (ii) equal to or greater than R$2 billion and less than R$5 billion has been increased from R$1.5 billion to R$2 billion, (iii) greater than R$5 billion and less than R$15 billion has been set at R$1 billion, and (iv) greater than R$15 billion has been established at zero;

- Financial bills issued by financial institutions have been exempted from reserve requirements; and

- Creation of a cash reserve requirement for independent financial institutions with foreign exchange operations, corresponding to 60.0% of the assessment base over the average amount calculated based on the daily short position taken in foreign currencies in excess of the lower of (1) U.S.$1 billion or (2) the Tier I regulatory capital of the financial institution. On October 24, 2008, pursuant to Circular No. 3,416, the Brazilian Central Bank enacted regulations permitting financial institutions to deduct the amount of voluntary installments of the ordinary contribution to the FGC from compulsory demand deposits.

On October 6, 2008, the Brazilian President ratified provisional regulations allowing the Brazilian Central Bank to: (1) acquire credit portfolios from financial institutions through rediscount operations; and (2) grant loans in foreign currencies in order to finance Brazilian export transactions. Pursuant to CMN Resolution No. 3,622, dated October 9, 2008, as amended, the term of the rediscount operations and the loans in foreign currencies will be for up to 360 days. After such term, the financial institution must repurchase its assets. The repurchase price of the rediscount operation will correspond to the purchase price with interest charged at the SELIC rate plus 4.0% per annum. The interest on foreign currency loans will be the London InterBank Offered Rate (LIBOR) for the relevant foreign currency plus a percentage fixed by the Brazilian Central Bank depending on market conditions.

The Brazilian Central Bank will acquire only credit portfolios and debentures issued by non-financial institutions rated as AA, A or B, according to Brazilian Central Bank rules. The financial institutions must provide Brazilian Central Bank with guarantees that may vary from 120% to 170% of the credit portfolio value, depending on the credit portfolio risk rate, or guarantees that may vary from 120% to 140% of the debenture value, depending on its risk rate. In relation to the foreign currency loans, financial institutions must also provide the Brazilian Central Bank with guarantees of 100% of the value of the loan.

In addition, on the rediscount operations, the Brazilian Central Bank may impose the following measures on financial institutions: (1) the obligation to pay additional amounts in order to meet the risk to which financial institutions may be exposed; (2) the adoption of more restrictive operational limits; (3) the restrictions on certain transactions or operational practices; (4) the rearrangement of the adequate liquidity level of the financial institution; (5) the suspension of dividends higher than the minimum required by law; (6) the prohibition of acts that may result in an increase of the remuneration of management; (7) the prohibition of the development of new lines of business; and (8) the prohibition of sales of assets.

Below are some of the current types of reserves:

Time Deposits (CDBs). Pursuant to Circular No. 3,569, dated December 22, 2011, as amended by Circular No. 3,576, dated February 10, 2012, the Brazilian Central Bank currently imposes a reserve requirement of 20% in relation to time deposits, and requires that such reserve requirement of 20% be calculated in relation to the weekly arithmetic average balance of time deposits discounted by R$30.0 million. At the end of each day, the amount of such securities shall be equivalent to 100% of the compulsory deposit requirements. After calculating the required reserve amount, the respective financial institution should deposit an amount equivalent to the surplus of (1) R$3.0 billion for financial institutions with consolidated Tier 1 capital under R$2.0 billion; (2) R$2.0 billion for financial institutions with consolidated Tier 1 capital between R$2.0 billion and R$5.0 billion; (3) R$1.0 billion for financial institutions with consolidated Tier 1 capital between R$5.0 billion and R$15.0 billion; and (4) zero for financial institutions with regulatory capital higher than R$15.0 billion. At the close of each day, the amount of such securities should be equivalent to 100% of the reserve requirement.

Additional Deposit Requirements. Pursuant to Circular No. 3,144, dated August 14, 2002, as amended, the Brazilian Central Bank stipulated an additional reserve requirement on deposits raised by full service banks, investment banks, commercial banks, development banks, finance, credit and investment companies, real estate credit companies and savings and loan associations. These institutions are required to deposit on a weekly basis highly liquid investments of the total sum of the following amounts discounted from R$1.0 billion in an interest-bearing account at the Brazilian Central Bank: (1) 12.0% of the mathematical average of funds from time deposits and other specific amount subject to the reserve requirement; (2) 10.0% of the mathematical average of funds from savings accounts subject to the reserve requirement; and (3) 12.0% of the mathematical average of funds from demand deposits subject to the reserve requirement. These amounts must be discounted from: (1) R$3.0 billion for financial institutions with consolidated Tier 1 capital under R$2.0 billion; (2) R$2.0 billion for financial institutions with consolidated Tier 1 capital between R$2.0 billion and R$5.0 billion; (3) R$1.0 billion for financial institutions with consolidated Tier 1 capital between R$5.0 billion and R$15.0 billion, and (4) zero for financial institutions with regulatory capital higher than R$15.0 billion. At the close of each day, the balance of such account should be equivalent to 100% of the additional reserve requirement.

Demand Deposits. Pursuant to Circular No. 3,274, dated February 2, 2005, as amended and Circular No. 3,497, dated June 24, 2010, as a general rule, banks are currently required to deposit (1) 43.0% from July 2010 to July 2012, (2) 44.0% from July 2012 to July 2014, and (3) 45.0% as of July 2014 of the sum of the arithmetic average balance of demand deposits, previous notices, third-party funds in transit, collection of taxes and similar items, banker's checks, debt assumption agreements related to transactions carried out in Brazil, obligations for the rendering of services of payment, proceeds from the realization of guarantees and deposits for investment in excess of R$44.0 million. The calculation is made over a two-week period, beginning on Monday of the first week and ending on Friday of the following week. At the end of each day, the balance of the bank's accounts must be equivalent to at least 80.0% of the required deposit for the respective period.

On January 23, 2012, the Brazilian Central Bank enacted Circular No. 3,573, which set forth new rules in respect of the deduction of amounts linked to rural credit financing with agricultural funding for purposes of the requirements regarding compulsory reserves over demand deposits. Circular No. 3,573 was amended on March 19, 2012, by Circular No. 3,586. The Brazilian Central Bank allowed the deduction of amounts corresponding to the (1) daily average balance of the rural credit financings with agricultural and cattle funding contracted in the period from January 1, 2012 to September 30, 2012, and pegged in mandatory funds established in the Manual of Rural Lending; and (2) daily average balance of investments in Interfinancial Deposits Linked to Rural Lending, which funds shall be used in the transactions mentioned in (1) above; both (1) and (2) above limited to 5% of the requirement calculated under Circular No. 3,274, dated February 2, 2005. The daily average balance indicated in (1) and (2) above relates to the business days of the calculation period of the compulsory reserves over demand deposits.

Rural Lending. According to the Manual of Rural Lending, as published by the Brazilian Central Bank, financial institutions are required to maintain a daily average balance of rural lending not lower than 25.0% of the daily balance of all accounts subject to compulsory reserve requirements. Financial institutions must provide the Brazilian Central Bank with evidence of compliance with such requirement by the fifth business day of each month. A financial institution that does not meet this requirement will be subject to payment of fines (calculated over the daily difference between the requirement and the portion actually used for rural lending) and a pecuniary penalty or, at the financial institution's discretion, to deposit the unused amount until the last business day of the subsequent month in a noninterest bearing account maintained with the Brazilian Central Bank.

Repurchase Agreements, Export Notes, etc. The Brazilian Central Bank at times has established a reserve requirement for certain types of financial transactions, such as repurchase agreements, export notes, derivative transactions and certain types of assignments. This reserve requirement is currently set at zero, pursuant to Circular No. 2,820, dated May 27, 1998.

Guarantees. The Brazilian Central Bank at times has established a reserve requirement that a financial institution deposit in a noninterest-bearing account with the Brazilian Central Bank an amount equivalent to 60.0% of the total amount of guarantees given by such financial institution in relation to loans and financings entered into by non-financial legal entities and individuals.

Savings Accounts. Pursuant to Circular No. 3,093, dated March 1, 2002, as amended, and CMN Resolution No. 3,023, dated October 11, 2002, as amended, the Brazilian Central Bank currently requires Brazilian financial institutions to deposit on a weekly basis, in an interest-bearing account with the Brazilian Central Bank, an amount in cash equivalent to 15.0% of the average weekly aggregate balance of savings accounts, during the second week from the week for which the calculation was made. In addition, a minimum of 65.0% of the total amount of deposits in savings accounts must be used to finance the housing or housing construction sector.

Reinvestment of Deposits Linked to Interbank Rates. Financial institutions are permitted to accept deposits with interest calculated by reference to the Average Interbank Interest Rate (*Taxa Básica Financeira*), subject to a reserve requirement and provided that such deposits are made in observance of the minimum terms provided in specific regulation.

In summary, the following table sets forth the reserve and lending requirements to which we are subject for each category of funding.

Product	December 31, 2010	December 31, 2011	Form of Required Reserve	Yield
Demand deposits				
Rural credit loans(1)	29%	28%	Loans and Cash	6.75% p.a. and Zero for Cash
Microcredit loans(2)	2%	2%	Loans and Cash	Cap rate: 2% p.m. and Zero for Cash
Reserve requirements	43%	43%	Cash	Zero
Additional reserve requirements	12%	12%	Cash	SELIC
Free funding(3)	14%	15%		
Savings accounts				
Mortgage loans	65%	65%	Loans and Cash	Cap of TR + 12% p.a. and TR + 6.17% for Cash
Reserve requirements	20%	20%	Cash	TR + 6.17% p.a.
Additional reserve requirements	10%	10%	Cash	SELIC
Free funding(3)	5%	5%		
Time deposits				
Reserve requirements	20.0%	20.0%		
In cash or credit(4)	7.2%	7.2%	Cash or Credit	SELIC for Cash
In cash	12.8%	12.8%	Cash	SELIC
Additional reserve requirements	12%	12%	Cash	SELIC
Free funding(3)	68.0%	68.0%		

(1) Rural credit loans are loans to agricultural customers, of which R$4.3 billion and R$4.9 billion were outstanding as of December 31, 2011 and December 31, 2010, respectively. On July 1, 2011, there was a reduction in the interest rate of 29% to 28%, which had been expected pursuant to CMN Resolution No. 3,746 dated as of June 30, 2009. This rate will continue to decrease in coming years to 27% on July 7, 2012 and 26% on July 7, 2013.

(2) Microcredit loans are loans to very small businesses, of which R$209.8 million and R$216.1 million were outstanding as of December 31, 2011 and December 31, 2010, respectively.

(3) Free funding is the amount of each category of funding we are free to use for any purpose.

(4) Includes only credit acquired up to December 31, 2011 from financial institutions having net capital of less than R$2.5 billion.

On July 28, 2011 the CMN enacted Resolution No. 3,998, effective as of August 22, 2011, which requires that financial institutions in Brazil register assignments of the following types of credit transactions: (1) payroll loans and (2) vehicle leases. Under CMN Resolution No. 3,998, financial institutions must appoint an officer responsible for registration procedures and specified controls related to these credit transactions and the assignment thereof. The information required to be disclosed upon registration of these credit transactions and their assignment includes: (1) name of the assignor and assignee, (2) name of the financial institution that granted the underlying credit, (3) certain information with respect to the credit transaction being assigned (e.g., identity of the debtor, specified dates, any guarantees, amounts payable, installments, etc.), and (4) details of the credit assignment transaction (e.g., amounts assigned, portion of the credit transaction subject to the assignment, specified dates, any guarantees involved). Such registration must be made before a clearing house duly authorized to act as such by the Brazilian Central Bank.

On December 22, 2011, the Brazilian Central Bank issued Circular No. 3,569 ("Circular 3,569/11"), amended on February 10, 2012 by Circular No. 3,576 ("Circular 3,576/12"), consolidating and redefining term deposit reserve requirements applicable to commercial banks, multiservice banks, development banks, investment banks, foreign exchange banks, savings banks and credit, financing and investment companies. The percentage of term deposit reserves eligible to earn interest will be limited to 80% beginning February 2012, 75% beginning April 2012, 70% beginning June 2012 and 64% beginning August 2012. The Brazilian Central Bank also (1) redefined the limitation on deductibility from time deposit reserve requirements for transactions where the counterparty is a smaller financial institution and (2) reduced the Tier 1 Regulatory Capital criterion (Patrimônio de Referência, Nível I) applicable to smaller financial institutions from R$2.5 billion to R$2.2 billion for purposes of deductibility from time deposit reserve requirements. Interbank deposit transactions with a smaller financial institution for purposes of such deduction must be concluded before June 29, 2012. In addition, the reduction of term deposit reserve requirements of R$1 billion now applies to financial institutions with Tier I Regulatory Capital ranging from R$5 billion to R$15 billion, instead of from R$5 billion to R$7 billion as previously set forth by Circular No. 3,569/11.

Credit Card Regulations

On November 25, 2010, the CMN enacted Resolution No. 3,919 which established new rules applicable to the fees charged for services rendered by financial institutions, including specific rules regarding the information to be disclosed in credit card invoices, the types of fees that can be charged and the requirement that financial institutions offer clients the option of a credit card with certain basic services. The new rules took effect on March 1, 2011. On September 29, 2011, CMN Resolution No. 3,919 was amended by CMN Resolution No. 4,021, which established new rules for fees that can be charged by financial institutions for providing services relating to over-the-counter exchange transactions for the purchase or sale of foreign currency in respect of international travel, and set forth the requirement for reporting the total effective value of such transactions. Pursuant to CMN Resolution No. 4,021, financial institutions were required to implement the new rules before January 2, 2012.

On November 25, 2010, the Brazilian Central Bank issued Circular No. 3,512 which established a minimum monthly amount that credit card holders must pay on outstanding credit card balances, which was set at 15% as of June 2011. On July 18, 2011, Circular No. 3,512 was amended by Circular No 3,549, which established that the rules for payment of a minimum amount by credit card holders is not applicable to credit cards for which payment is carried out by means of direct withdrawal from the payroll.

Asset Composition Requirements

Pursuant to CMN Resolutions No. 2,283, dated June 5, 1996, and 2,669, dated November 25, 1999, as amended, permanent assets (defined as property and equipment other than commercial leasing operations, unconsolidated investments and deferred charges) of Brazilian financial institutions may not exceed 50.0% of the sum of their referenced shareholders' equity, calculated in accordance with the criteria established by the Brazilian Central Bank.

According to CMN Resolution No. 2,844, dated June 29, 2001, as amended, Brazilian financial institutions may not have more than 25.0% of their referenced shareholders' equity allocated to credit transactions (including guarantees) extended to the same customer (including its parent, affiliates and subsidiaries) or in securities of any one issuer, and may not act as underwriter (excluding best efforts underwriting) of securities issued by any one issuer representing more than 25.0% of their referenced shareholders' equity.

Pursuant to CMN Resolution No. 3,339, dated January 26, 2006, repurchase transactions executed in Brazil are subject to operational capital limits based on the financial institution's shareholders' equity, as adjusted in accordance with Brazilian Central Bank regulations. A financial institution may hold repurchase transactions only in an amount up to thirty times its adjusted shareholders' equity. Within that limit, repurchase transactions involving private securities may not exceed five times the amount of adjusted shareholders' equity. Limits on repurchase transactions involving securities backed by Brazilian governmental authorities vary in accordance with the type of security involved in the transaction and the perceived risk of the issuer as established by the Brazilian Central Bank.

The Brazilian Central Bank has issued regulations (Circular No. 3,086, dated February 15, 2002, as amended, and Circular 3,068, dated November 8, 2001, as amended) for the classification and valuation of securities and derivative financial instruments — including government securities — owned by financial institutions, based on the investment strategy of the financial institution. Under these regulations, securities and derivatives are to be classified into three categories — trading, available for sale and held to maturity. "Trading" and "available for sale" securities are to be marked-to-market with effects in income and shareholders' equity, respectively. Securities classified as "held to maturity" are recorded at cost. Derivatives are marked-to-market and recorded as assets and liabilities in the balance sheet. Changes in the market value of the derivatives are generally recognized in income with certain modifications, if these are designated as hedges and qualify for hedge accounting under the regulations issued by the Brazilian Central Bank. Securities and derivatives in the "held to maturity" portfolio may be hedged for accounting purposes, but their increase or decrease in value derived from the marked-to-market accounting method should not be taken into account.

Foreign Currency Loans

The Regulations of the Foreign Exchange and International Capital Markets (Regulamento do Mercado de Câmbio e Capitais Internacionais – or the "RMCCI") of the Brazilian Central Bank contains a complete set of rules involving the exchange market, Brazilian capital abroad and foreign capital in Brazil.

Individuals or legal entities domiciled in Brazil are allowed to enter into credit transactions with creditors domiciled abroad, without the need to obtain a prior approval from the Brazilian Central Bank in connection with the inflow of funds into Brazil, pursuant to CMN Resolution No. 3,844, dated March 23, 2010. Financial institutions and leasing companies are allowed to raise funds abroad and freely apply such funds in the local market. Lending such funds to other financial institutions, individuals or non-financial entities is also permitted. These onlendings take the form of loans denominated in Brazilian currency but indexed to the U.S. dollar, and their terms must mirror the terms of the original transaction. The interest rate charged must also conform to international market practices and, in addition to the original cost of the transaction, the financial institution may charge only an on-lending commission.

Notwithstanding the exemption from prior approval, the inflow of funds into Brazil related to (1) issuance of securities abroad, (2) foreign loans, (3) loans related to export transactions (securitization of export transactions), and (4) pre-payments of export transactions with a maturity term of more than 360 days, is subject to prior electronic declaratory registration through the Module RDE-ROF of SISBACEN.

The registration in such Module RDE-ROF shall be effected by the borrower or by its representative by providing the Brazilian Central Bank with the relevant information regarding (1) the parties of the transaction, (2) the financial conditions and the term for effecting the payment of principal, interest and other encumbrances, (3) the confirmation letter of the creditor, confirming the conditions of the transaction, and (4) any other information requested by the Brazilian Central Bank through the SISBACEN.

As a general rule, registrations are automatically granted by the issuance of the RDE-ROF number of the transaction. Exceptions to this general rule are applicable when the costs of the transaction are not compatible with prevailing market conditions and practice and the structure of the transaction does not fit within the existing standards of the electronic system. So long as the Brazilian Central Bank does not object to the registration within five business days, then the registration is complete. Without such initial registration, interested parties are neither able to receive funds in Brazil nor to remit the funds outside of Brazil. After the inflow of the funds, the borrower shall register the payment schedule in the Module RDE-ROF, which is necessary for remittances abroad of principal, interest and charges, and for the shipment of goods.

Financial institutions that fail to provide required information to the Brazilian Central Bank with respect to foreign exchange transactions or that provide incomplete or inaccurate information are subject to penalties.

On March 4, 2009, the CMN enacted Resolution No. 3,689, which authorizes the Brazilian Central Bank to lend U.S. dollars to Brazilian banks in order for the banks to pay foreign debts incurred by their branches abroad.

Pursuant to Circular No. 3,474 enacted on November 13, 2009, the financial derivatives (such as options, term agreements, future contracts or swaps) related to the cost of an on-lending transaction executed between Brazilian residents and non-residents of Brazil shall be registered with the financial settlement system duly authorized by the Brazilian Central Bank or the CVM.

On March 1, 2012, the Brazilian Central Bank issued Circular No. 3,580 ("Circular No. 3,580") which amended the Regulations of the Foreign Exchange and International Capital Markets (RMCCI) and established limitations on export financings. According to Circular No. 3,580, as of its enactment export pre-payments can only be granted by the importer and for a limited term of up to 360 days. The measure is aimed at avoiding further appreciation of the *real* against foreign currencies.

Foreign Currency Position

Transactions involving the sale and purchase of foreign currency in Brazil may be conducted only by institutions duly authorized by the Brazilian Central Bank to operate in the foreign exchange market. The Brazilian Central Bank currently does not impose limits on foreign exchange short positions (that is, where the aggregate amount of the purchases of foreign currency is less than the amount of the sales) of institutions authorized to operate in foreign exchange markets. Banks may hold long positions (that is, when the aggregate amount of purchases of foreign currency is greater than the amount of sales) in the foreign exchange market up to a certain proportion of the amount of their adjusted net worth. In accordance with Circular No. 3,401, dated August 15, 2008, other institutions within the national financial system are not allowed to have long positions in foreign currency, although there are no limits with respect to foreign exchange short positions.

The Brazilian Central Bank imposes a limit on the net exposure of Brazilian financial institutions and their affiliates to assets and debt subject to foreign currency and gold fluctuation. The limit is currently equivalent to 30.0% of the institution's adjusted shareholders' equity, pursuant to CMN Resolution No. 3,488, dated August 29, 2007.

Penalties for non-compliance with foreign currency position limits range from compulsory sale of foreign currency to revocation of authorization to operate in the foreign exchange market.

On January 26, 2012, the CMN enacted Resolution No. 4,051, setting forth that securities brokerage firms, securities dealerships and foreign exchange brokerage firms can carry on foreign exchange transactions with clients for prompt settlement of up to U.S.$100 thousand. Furthermore, CMN Resolution No. 4,051 also establishes that the reference for the granting of advances on foreign exchange contracts (ACC) and advances on delivered commercial papers (ACE) relating to foreign exchange agreements for services export shall be the services indicated by the Ministry of Development, Industry and Foreign Trade. Finally, CMN Resolution No. 4,051 consolidates the rules in effect about export in general.

Treatment of Overdue Debts

Pursuant to CMN Resolution No. 2,682, dated December 21, 1999, as amended, the Brazilian Central Bank requires financial institutions to classify credit transactions in accordance with their level of credit risk—as one of AA, A, B, C, D, E, F, G or H—and make provisions according to the level attributed to each transaction. Such credit classifications shall be determined in accordance with criteria set forth from time to time by the Brazilian Central Bank relating to: (1) the condition of the debtor and the guarantor, such as their economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, administration and quality of controls, delay in payments, contingencies and credit limits; and (2) the terms of the transaction, such as its nature and purpose, type of collateral and, in particular, its level of liquidity and the total amount of the credit. Where there are several credit transactions involving the same customer, economic group or group of companies, the credit risk must be determined by analyzing the particular credit transaction of such customer or group which represents the greatest credit risk to the financial institution.

Credit transactions of up to R$50 thousand may be classified either by the financial institution's own evaluation method or according to the number of days such transaction is past due, whichever is the more stringent.

Credit classifications are required to be reviewed:

- monthly, in the event of a delay in the payment of any installment of principal or interest, in accordance with the following maximum risk classifications:

(1) 1 to 14 days overdue: risk level A;

(2) 15 to 30 days overdue: risk level B;

(3) 31 to 60 days overdue: risk level C;

(4) 61 to 90 days overdue: risk level D;

(5) 91 to 120 days overdue: risk level E;

(6) 121 to 150 days overdue: risk level F;

(7) 151 to 180 days overdue: risk level G; and

(8) more than 180 days overdue: risk level H;

- every six months, in the case of transactions involving the same customer, economic group or group of companies, the amount of which exceeds 5.0% of the adjusted net worth of the financial institution in question; and

- once every twelve months, in all circumstances, except in the case of credit transactions with a customer whose total liability is lower than R$50 thousand, the classification of which may be reviewed as provided in above. Such R$50 thousand limit may be amended by the Brazilian Central Bank from time to time.

Failure to comply with the requirements established by the Brazilian Central Bank will result in the reclassification of any transaction to risk level H.

Credit loss provisions must be made monthly by each financial institution in accordance with the following:

- 0.5% of the total amount of credit transactions classified as level A;

- 1.0% of the total amount of credit transactions classified as level B;

- 3.0% of the total amount of credit transactions classified as level C;

- 10.0% of the total amount of credit transactions classified as level D;

- 30.0% of the total amount of credit transactions classified as level E;

- 50.0% of the total amount of credit transactions classified as level F;

- 70.0% of the total amount of credit transactions classified as level G; and

- 100.0% of the total amount of credit transactions classified as level H.

The allowances for credit losses reflected in our IFRS consolidated financial statements are not based on the above criteria but rather on the criteria described under "Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies – Impairment Losses on Financial Assets". Such allowances are greater in the reported periods than the allowances required under Brazilian Central Bank rules.

Transactions with Affiliates

Law No. 7,492 of June 16, 1986, which defines crimes against the Brazilian financial system, defines as a crime the extension of credit by a financial institution to any of its directors or officers and certain of such individuals' family members and any entity controlled directly or indirectly by such financial institution or which is subject to common control with such financial institution (except loans to leasing subsidiaries). Violations of Law No. 7,492 are punishable by two to six years' imprisonment and a fine. On June 30, 1993, the CMN issued Resolution No. 1,996, which requires any such transaction to be reported to the Public Ministry's office.

Compensation of Directors and Officers of Financial Institutions

On November 25, 2010, the CMN issued Resolution No. 3,921 which established new rules related to the compensation of directors and officers of financial institutions, requiring that financial institutions establish a compensation policy for directors and officers. The compensation of directors and officers can be fixed or variable. Variable compensation may be based on specific criteria set forth in CMN Resolution No. 3,921 and is required to be compatible with the financial institution's own risk management policies. At least 50% of variable compensation must be paid in stock or stock-based instruments and at least 40% of variable compensation must be deferred for future payment by at least 3 years. These new rules are effective as from January 1, 2012.

Facilitation of Financial Sector Consolidation

The Brazilian government established a set of rules with the purpose of facilitating corporate reorganizations among financial institutions. These rules assure the liquidity and solvency of the National Financial System and protect depositors' and investors' interests. The main measures include: (1) granting the Brazilian Central Bank power to determine mandatory capitalization and to regulate the transfer of control and/or corporate restructuring of financial institutions; (2) the establishment by the Brazilian Central Bank of a special credit facility, known as the Programa de Estímulo à Reestruturação e ao Fortalecimento do Sistema Financeiro Nacional (the Program for the Improvement and Enhancement of the National Financial System, or the "PROER"), for the specific purpose of financing financial institutions which acquire control or assets and obligations of other financial institutions or whose control is transferred to third parties; and (3) the creation of certain tax benefits for financial institutions that are financed by the PROER.

The PROER was created to protect savings and investments in Brazil. The PROER allowed the Brazilian Central Bank to intervene to protect against failures of financial institutions facing liquidity crises. The creation of the PROER streamlined the process by which the government could acquire control of a failing financial institution and granted the Brazilian Central Bank authority to determine an appropriate course of action to prevent failure of any such financial institution, whether through a capital increase, merger, spin-off or otherwise. Non-compliance by a financial institution with any such determinations by the Brazilian Central Bank could make such financial institution subject to the Temporary Special Administration Regime (Regime de Administração Temporária), as described below. The intention of the government in establishing the PROER was to strengthen prudent supervision of financial institutions by means of verification of liquidity and asset quality. These measures were similar to current measures being implemented in the United States and Europe in response to the global financial crisis.

Deposit Insurance

On November 16, 1995, the Brazilian Central Bank approved the by-laws and applicable regulations of the FGC, the purpose of which is to guarantee the payment of funds deposited with financial institutions in case of intervention, liquidation, bankruptcy or insolvency. The FGC is funded by contributions made by the financial institutions in the amount of up to 0.0125%, as determined by the board of directors of the FGC, of the total amounts of: (1) demand deposits, (2) deposits in investment accounts, (3) savings deposits, (4) time deposits, (5) bills of exchange (*letras de câmbio*), (6) real estate bills (*letras imobiliárias*), (7) mortgage bills (*letras hipotecárias*) and real estate financing credits (*letras de crédito imobiliário*), for which the financial institutions were liable during the month preceding the calculation date. Delay in performing such contributions is subject to a penalty of 2.0% over the amount of the contribution.

The FGC is managed by a board of directors, the members of which are appointed by the National Confederation of Financial Institutions (*Confederação Nacional de Instituições Financeiras*) and by an executive commission, whose members are appointed by the board of directors and confirmed by the Brazilian Central Bank. The total amount of credit in the form of demand deposits, savings deposits, time deposits, bills of exchange, real estate bills and mortgage bills due to each customer by a financial institution (or by financial institutions of the same financial group) will be guaranteed by the FGC for up to a maximum of R$70 thousand per customer, pursuant to Circular No. 3,931, dated December 3, 2010. When the assets of the FGC reach 2.0% of the total amounts they guarantee, the CMN may temporarily suspend or reduce the contribution of financial institutions to the FGC. The volume of deposits that financial institutions can accept with the guarantee granted by FGC will be reduced by 20% every year from January 2012 to January 2016, thereby ending such insurance by 2016. On March

26, 2009, the CMN enacted Resolution No. 3,692 authorizing financial institutions to raise funds by means of time deposits guaranteed by the FGC for a maximum of R$20 million provided that such deposits (1) have a minimum term of six months and a maximum term of sixty months, (2) not be callable before their term, and (3) be limited to (a) R$20 million per deposit of the same bank, and (b) twice the bank's Tier I reference net worth calculated on December 31, 2008 or the sum of the balance of the bank's time deposits with the balance of the bank's liabilities in connection with bills of exchange on June 30, 2008, whichever is higher, limited to R$5 billion.

Internal Compliance Procedures

All financial institutions must have in place internal policies and procedures to control:

- their financial, operational and management information systems; and
- their compliance with all applicable regulations.

The board of directors of the relevant financial institution is responsible for implementing an effective structure of internal controls by defining responsibilities and control procedures and establishing corresponding goals and procedures at all levels of the institution. The board of directors is also responsible for verifying compliance with all internal procedures.

The internal auditing department reports directly to the executive officers or management of the institution, as applicable. The external auditors are responsible for issuing a report on the internal control system.

Rules about the Collection of Bank Fees

The collection of bank fees and commissions is extensively regulated by the CMN and by the Brazilian Central Bank. CMN Resolution No. 3,919, effective as of March 1, 2011, amended the existing rules seeking standardization of the collection of bank fees and the cost of credit transactions for individuals. According to these rules, bank services to individuals are divided into the following four groups: (1) essential services; (2) priority services; (3) special services; and (4) specific or differentiated services. Banks are not able to collect fees in exchange for supplying essential services to individuals with regard to checking accounts, such as (1) supplying a debit card; (2) supplying ten checks per month to accountholders who meet the requirements to use checks, as per the applicable rules; (3) supplying a second debit card (except in cases of loss, theft, damage and other reasons not caused by the bank); (4) up to four withdrawals per month, which can be made at a branch of the bank, using checks or in ATM terminals; (5) supplying up to two statements describing the transactions during the month, to be obtained through ATM terminals; (6) inquiries over the internet; (7) up to two transfers of funds between accounts held by the same bank, per month, at a branch, through ATM terminals or over the internet; (8) clearing checks and (9) supplying a consolidated statement describing, on a month-by-month basis, the fees charged over the preceding year with regard to checking accounts and savings accounts. Certain services rendered to individuals with regard to savings accounts also fall under the category of essential services and, therefore, are exempt from the payment of fees. CMN Resolution No. 3,919 prohibits banks from collecting fees for supplying essential services in connection with deposit and savings accounts where clients agree to access and use their accounts by electronic means only. In the case of these exclusively electronic deposit and savings accounts, banks are only authorized to collect fees for supplying essential services when the client voluntarily elects to obtain personal service at the banks´ branches or client service locations.

Priority services are the ones rendered to individuals with regard to checking accounts, transfers of funds, credit transactions, leasing, standard credit cards, over-the-counter exchange transactions for the purchase or sale of foreign currency in respect of international travel and records and are subject to the collection of fees by the financial institutions only if the service and its nomenclature are listed in its Appendix I. CMN Resolution No. 3,919 also states that commercial banks must offer to their individual clients a "standardized package" of priority services, whose content is defined by Appendix I. Banking clients must have the option to acquire individual services, instead of adhering to the package.

The collection of fees in exchange for the supply of special services (including, among others, services relating to rural credit, currency exchange market and on-lending of funds from the real estate financial system, for example) are still governed by the specific provisions found in the laws and regulations relating to such services.

The regulation authorizes financial institutions to collect fees for the performance of specific services, provided that the account holder or user shall be informed of the conditions for use and payment or the fee and charging method are defined in the contract. Some of the specific services are (1) approval of signatures; (2) management of investment funds; (3) rental of safe deposit boxes; (4) courier services; (5) custody and brokerage services, (6) endorsement of clients debts (*aval*, or guarantee); and (7) foreign currency exchange, among others.

Other changes included in CMN Resolution No. 3,919 are: (1) prohibition from charging fees for amending adhesion contracts, except in the cases of asset replacement in leasing transactions and early liquidation or amortization, cancelation or termination; (2) prohibition from including services related to credit cards and other services not subject to fees in service packages that include priority, special and/or differentiated services; (3) subscription to service packages must be through a separate contract; (4) information given to the customer with respect to a service package must include the value of each service included in the package, the number of times that each service may be utilized per month, and the total price of the package; (5) a customer's annual banking statement must separately identify default interest, penalties and other costs charged on loans and leasing transactions; (6) registration fees cannot be cumulatively charged; and (7) overdraft fees can be charged, at most, once over the course of 30 days.

CMN Resolution No. 3,919 also established new rules applicable to credit cards, including types of fees that can be charged for services rendered by financial institutions, information to be disclosed in credit card invoices and agreements and creation of two types of credit cards: (1) a basic credit card with certain basic services, which were classified as a prior service; and (2) a differentiated credit card, with rewards and other benefits for the consumer, which was classified as a differentiated service. In addition, Brazilian Central Bank Circular No. 3,512 established a minimum amount that credit card holders must pay monthly on outstanding credit card balances as 15.0% as of June 2011. On July 18, 2011, Circular No. 3,512 was amended by Circular No 3,549, which established that the rules for payment of a minimum amount by credit card holders is not applicable to credit cards for which payment is carried out by means of direct withdrawal from the holder's payroll.

In addition, CMN regulations establish that all debits related to the collection of fees must be charged to a bank account only if there are sufficient funds to cover such debits in such account thus forbidding overdrafts caused by the collection of banking fees. Furthermore, a minimum of 30 days notice must precede any increase or creation of fees (except if related to credit card services, when a minimum of 45 days notice is required), while fees related to priority services and the "standardized package" can be increased only after 180 days from the date of the last increase (except if related to credit card services, when a minimum of 365 days notice is required) (whereas reductions can take place at any time).

Brazilian Payment and Settlement System

The rules for the settlement of payments in Brazil are based on the guidelines adopted by the Bank of International Settlements, or "BIS", and the current Brazilian Payment and Settlement System began operating in April 2002. The Brazilian Central Bank and CVM (in respect of transactions with securities) have the power to regulate and supervise this system. Pursuant to these rules, all clearinghouses are required to adopt procedures designed to reduce the possibility of systemic crises and to reduce the risks previously borne by the Brazilian Central Bank. The most important principles of the Brazilian Payment and Settlement System are:

- the existence of two main payment and settlement systems: real time gross settlements, using the reserves deposited with the Brazilian Central Bank; and deferred net settlements, through the clearinghouses;
- the clearinghouses, with some exceptions, will be liable for the payment orders they accept; and
- bankruptcy laws do not affect the payment orders made through the credits of clearinghouses nor the collateral granted to secure those orders. However, clearinghouses have ordinary credits against any participant under bankruptcy laws.

Insolvency Laws Concerning Financial Institutions

Financial institutions are subject to the proceedings established by Law No. 6,024 of March 13, 1974 (which establishes the applicable provisions in the event of intervention or extra-judicial liquidation by the Brazilian Central Bank) as well as to bankruptcy proceedings.

Intervention and extra-judicial liquidation occur when the Brazilian Central Bank has determined that the financial institution is in bad financial condition or upon the occurrence of events that may impact the creditors' situation. Such measures are imposed by the Brazilian Central Bank in order to avoid the bankruptcy of the entity.

Intervention

Pursuant to Law No. 6,024/74, the Brazilian Central Bank has the power to appoint someone to intervene in the operations or to liquidate any financial institution other than public financial institutions controlled by the Brazilian federal government. An intervention may be carried out at the discretion of the Brazilian Central Bank if it can be determined that:

- due to mismanagement, the financial institution has suffered losses leaving creditors at risk;
- the financial institution has consistently violated Brazilian banking laws or regulations; or
- intervention is a feasible alternative to the liquidation of the financial institution.

As of the date on which it is ordered, the intervention will automatically: (1) suspend the enforceability of the payable obligations; (2) prevent early termination or maturity of any previously contracted obligations; and (3) freeze deposits existing on the date on which the intervention is decreed. The intervention will cease (1) if interested parties undertake to continue the economic activities of the financial institution, by presenting the necessary guarantees, as determined by the Brazilian Central Bank; (2) when the situation of the entity is regularized as determined by the Brazilian Central Bank; or (3) when extra-judicial liquidation or bankruptcy of the entity is ordered.

Intervention may also be ordered upon the request of a financial institution's management.

Any such intervention period shall not exceed six months, which, by decision of the Brazilian Central Bank, may be extended only once for up to six additional months. The intervention proceeding will be terminated if the Brazilian Central Bank establishes that the irregularities that have triggered an intervention have been eliminated. Otherwise, the Brazilian Central Bank may extra-judicially liquidate the financial institution or authorize the intervener to file for voluntary bankruptcy currently governed by Law No. 11,101 (as of February 9, 2005, the new Brazilian Bankruptcy and Restructuring Law or the "NBRL"), among other situations, if the assets of the financial institution subject to intervention are insufficient to satisfy at least 50% of the amount of its outstanding unsecured debts.

Extra-judicial Liquidation

Extra-judicial liquidation is an administrative proceeding decreed by the Brazilian Central Bank (except that it is not applicable to financial institutions controlled by the Brazilian federal government) and conducted by a liquidator appointed by the Brazilian Central Bank. This extraordinary measure aims at terminating the activities of the affected financial institution, liquidating its assets and paying its liabilities, as in a judicially decreed bankruptcy.

The Brazilian Central Bank will extra-judicially liquidate a financial institution if:

- the institution's economic or financial situation is at risk, particularly when the institution ceases to meet its obligations as they become due, or upon the occurrence of an event that could indicate a state of insolvency under the rules of the NBRL;
- management seriously violates Brazilian banking laws, regulations or rulings;

- the institution suffers a loss which subjects its unprivileged and unsecured creditors to severe risk; and/or

- upon revocation of the authorization to operate, the institution does not initiate ordinary liquidation proceedings within ninety days or, if initiated, the Brazilian Central Bank determines that the pace of the liquidation may harm the institution's creditors.

The decree of extra-judicial liquidation will: (1) suspend the actions or foreclose on rights and interests relating to the estate of the entity being liquidated, while no other actions or executions may be brought during the liquidation; (2) accelerate the obligations of the entity; and (3) interrupt the statute of limitations with regard to the obligations assumed by the institution.

Extra-judicial liquidation procedures may be terminated:

- by discretionary decision of the Brazilian Central Bank if the parties involved undertake the administration of the financial institution after having provided the necessary guarantees; or

- when the final accounts of the receiver are delivered and approved and subsequently registered in the relevant public records; or

- when converted into ordinary liquidation; or

- when a financial institution is declared bankrupt.

A request for liquidation procedures can also be filed on reasonable grounds by the officers of the respective financial institution or by the receiver appointed by the Brazilian Central Bank in the receivership procedure.

Temporary Special Administration Regime (Regime de Administração Especial Temporária or "RAET")

In addition to the intervention procedures described above, the Brazilian Central Bank may also establish RAET, under Law No. 9,447, dated March 14, 1997 combined with Law No. 6,024/74, which is a less severe form of the Brazilian Central Bank intervention in private and non-federal public financial institutions that allows institutions to continue to operate normally. The RAET may be ordered in the case of an institution which:

- continually enters into recurrent operations which are against economic or financial policies set forth in federal law;

- faces a shortage of assets;

- fails to comply with the compulsory reserves rules;

- reveals the existence of hidden liabilities;

- experiences the occurrence of situations that cause receivership pursuant to current legislation;

- has reckless or fraudulent management; or

- carries out activities which call for an intervention.

The main objective of a RAET is to assist the recovery of the financial condition of the institution under special administration and thereby avoid intervention and/or liquidation. Therefore, a RAET does not affect the day-to-day business, operations, liabilities or rights of the financial institution, which continues to operate in ordinary course.

There is no minimum term for a RAET, which ceases upon the occurrence of any of the following events: (1) acquisition by the Brazilian federal government of control of the financial institution, (2) corporate restructuring, merger, spin-off, amalgamation or transfer of the controlling interest of the financial institution, (3) decision by the Brazilian Central Bank, or (4) declaration of extra-judicial liquidation of the financial institution.

Bankruptcy Law

On February 9, 2005, the Brazilian Congress enacted the NBRL, which regulates judicial reorganizations, out-of-court reorganizations and bankruptcy of individuals and corporations. The NBRL is effective as of June 10, 2005 and applies to financial institutions only with respect to the matters not specifically regulated by the intervention and extra-judicial liquidation regimes described above.

Repayment of Creditors in a Liquidation or Bankruptcy

In the event of extra-judicial liquidation or bankruptcy of a financial institution, creditors are paid pursuant to their priorities and privileges. Pre-petition claims are paid on a ratable basis in the following order:

- labor credits capped at an amount equal to 150 times the minimum wages per employee, and claims relating to occupational accidents,
- secured credits up to the encumbered asset value,
- tax credits, except tax penalties,
- credits with special privileges,
- credits with general privileges,
- unsecured credits,
- contractual fines and pecuniary penalties for breach of administrative or criminal laws, including those of a tax nature, and
- subordinated credits.

Super-priority and post-petition claims, as defined under the NBRL, are paid with preference over pre-petition claims.

In addition, two laws introduced in 1995 affect the priority of repayment of creditors of Brazilian banks in the event of their insolvency, bankruptcy or similar proceedings. First, Law No. 9,069 confers immunity from attachment on compulsory deposits maintained by financial institutions with the Brazilian Central Bank. Such deposits may not be attached in actions by a bank's general creditors for the repayment of debts. Second, Law No. 9,450 requires that the assets of any insolvent bank funded by loans made by foreign banks under trade finance lines be used to repay amounts owing under such lines in preference to those amounts owing to the general creditors of such insolvent bank.

Cancellation of Banking License

The Banking Reform Law, together with specific regulations enacted by the CMN's Resolution No. 1,065 enacted on December 5, 1985, provides that some penalties can be imposed upon financial institutions in certain situations. Among them, a financial institution may be subject to the cancellation of its license to operate and/or to perform exchange transactions. Such cancellations are applicable under certain circumstances established by the Brazilian Central Bank as, for instance, in case of repeated violation of the Brazilian Central Bank regulations by the management of the financial institution or negligence in pursuing adequate banking practices concerning its exchange activities.

In addition, the Brazilian Central Bank may, pursuant to CMN's Resolution No. 3,040 of November 28, 2002, cancel the financial institution's authorization to operate if it determines that one or more of the following situations exist at any time: (1) operational inactivity, without acceptable justification, (2) the institution is not located at the address provided to the Brazilian Central Bank, (3) failure to send to the Brazilian Central Bank for over four months, without acceptable justification, the consolidated financial statements required by the regulations in effect, and (4) failure to observe the timeframe for commencement of activities. The cancellation of a banking license may only occur after the appropriate administrative proceeding is carried out by the Brazilian Central Bank.

Anti-Money Laundering Regulations and Banking Secrecy

Under Circular 3,461 enacted by the Brazilian Central Bank on July 24, 2009, regulated by Circular No. 3,430 enacted on February 11, 2010, consolidating and improving the Brazilian anti-money laundering legislation, financial institutions must:

(1) keep up-to-date records regarding their customers (including statements of purpose and nature of transactions and the verification of characterization of customers as politically-exposed individuals). Circular No. 3,430 gives examples of who may be considered permanent and occasional customers for purposes of record requirements;

(2) adopt preventive policies and internal proceedings;

(3) record transactions involving Brazilian and foreign currency, securities, metals or any other asset which may be converted into money, including specific registries of issuances or recharging of prepaid cards;

(4) keep records of transactions or groups of turnover of funds carried out by individuals or entities belonging to the same group of companies in a total amount exceeds R$10 thousand in a calendar month or which reveal a pattern of activity that suggests a scheme to avoid identification;

(5) review transactions or proposals the features of which may indicate criminal intentions;

(6) keep records of every transfer of funds related to, among others (a) deposits, wire transfers and checks, and (b) the issuance of checks and order of payments, in amounts that exceed R$1 thousand; and

(7) notify the relevant authority within time frames ranging from one business day from a proposed transaction to five business days from the end of the calendar month of any transaction that is considered suspect by the financial institution.

The financial institutions must inform the Brazilian Central Bank (without notifying the customer) of any transactions of the type referred to under (3) and (4) above that exceeding R$10 thousand. Notwithstanding this threshold, the financial institutions must review transactions which characteristics may indicate the existence of a crime and inform the Brazilian Central Bank within twenty-four hours of the proposed or executed transaction, in accordance with Law No. 9,613 of March 3, 1998. The records referred to above must be kept for five to ten years, depending on the nature of the information, from the end of the relationship with the customer.

Failure to comply with any of the obligations indicated above may subject the financial institution and its officers and directors to penalties that range from fines (between 1% and 100% of the transaction amount or 200% over any profit generated) to the declaration of its officers and directors as ineligible to exercise any position at a financial institution and/or the cancellation of the financial institution's operating license.

Government and auditors from the Brazilian Internal Revenue Service may also inspect an institution's documents, books and financial registry in certain circumstances.

On March 3, 1998, the Brazilian government created the *Conselho de Controle de Atividades Financeiras* (the Council of Control of Financial Activities, or "COAF"), which operates under the Ministry of Finance. The purpose of the COAF is to investigate, examine, identify and impose administrative penalties in respect of, any suspicious or unlawful activities related to money laundering in Brazil. The COAF is composed of a president nominated by the Ministry of Finance and appointed by the President and eight members of the council, one of whom is appointed by each of the following entities: (1) the Brazilian Central Bank; (2) the CVM; (3) the Ministry of Foreign Affairs; (4) the SUSEP; (5) the Federal Revenue Service (the *Secretaria da Receita Federal*); (6) the Office of the Attorney-General of the National Treasury; (7) the Federal Police Department; and (8) the Federal Intelligence Agency. The term of office of each of the president and the other members of the council is three years.

Brazilian financial institutions are also subject to strict bank confidentiality regulations and must maintain the secrecy of their banking operations and services provided to their customers. The only circumstances in which information about customers, services or transactions of Brazilian financial institutions or credit card companies may be disclosed to third parties are the following: (1) the disclosure of information with the express consent of the interested parties; (2) the exchange of information between financial institutions for record purposes; (3) the supply to credit reference agencies of information based on data from the records of issuers of bank checks drawn on accounts without sufficient funds and defaulting debtors; and (4) as to the occurrence or suspicion that criminal or administrative illegal acts have been performed, in which case the financial institutions and the credit card companies may provide the competent authorities with information relating to such criminal acts when necessary for the investigation of such acts. Complementary Law No. 105/01 also allows the Brazilian Central Bank or the CVM to exchange information with foreign governmental authorities, provided that a specific treaty has previously been executed.

Politically Exposed Individuals

Pursuant to Circular No. 3,461, enacted by the Brazilian Central Bank on July 24, 2009, financial institutions and other institutions authorized to operate by the Brazilian Central Bank must take certain actions to establish business relationships with and to follow up on financial transaction of customers who are deemed to be politically exposed individuals.

For purposes of this regulation, politically exposed individuals are public agents and their immediate family members, spouses, life partners and stepchildren who occupy or have occupied a relevant public office or position over the past five years in Brazil or other countries, territories and foreign jurisdictions.

Circular No. 3,461 provides that the internal procedures developed and implemented by such financial institutions must be structured in such a way as to enable the identification of politically exposed individuals, as well as the origin of the funds involved in the transactions of such customers. One option is to verify the compatibility between the customer's transactions and the net worth stated in such customer's file.

Independent Auditors

All financial institutions must be audited by independent auditors. Financial institutions may engage only an independent auditor duly registered with the CVM and certified as a specialist in banking analysis by the Brazilian Central Bank. Financial institutions must replace the person, officer, manager, supervisor or any of its members responsible for their independent accounting firm work at least every five years. Former accountants can be rehired only after three complete years have passed since their prior service.

In addition to audit reports, independent auditors must also:

- review during the execution of audit procedures, to the extent deemed necessary, the financial institution's internal risk management controls and procedures, including in relation to its electronic data processing system, and identify any potential failings;

- report on the financial institution's non-compliance with any applicable regulation to the extent it is material to its consolidated financial statements or activities; and

- prepare a report presenting non-compliance with any applicable rules and regulations which may have a significant impact on the consolidated financial statements or operations of the entity (Report of Circular 3,467), revise the criteria adopted for the classification of the credit operations and constitution of allowance for loan losses (Report of CMN Resolution 2,682), revise the structure, systems and procedures of the Ombudsman Department, according the criteria established by the Institute of Independent Auditors of Brazil (*Instituto dos Auditores Independentes do Brasil – Ibracon)* (Ombusdman report) and deliver a limited review report on quarterly information (IFT and ITR). These reports must be available for inspection by the Brazilian Central Bank and CVM, when applicable.

The independent auditors and the fiscal council, when established, must notify the Brazilian Central Bank of the existence or evidence of error or fraud within three business days of the identification of such error or fraud, including:

- non-compliance with rules and regulations that place the continuity of the audited entity at risk;
- fraud of any amount perpetrated by the management of the institution;
- material fraud perpetrated by the institution's employees or third parties; and
- material errors in the accounting records of the audited entity.

Audit Committee

On May 27, 2004, the CMN enacted Resolution No. 3,198, which regulates the rendering of independent auditors' services to financial institutions and other institutions authorized to operate in Brazil by the Brazilian Central Bank, as well as to clearing houses and clearing and custody service provides. CMN Resolution No. 3,198, as amended, requires financial institutions and certain other entities holding regulatory capital equal to or greater than R$1.0 billion to create a corporate body designated as an "audit committee", which must be composed of at least three individual members, with a maximum term of office of five years. At least one of the members must have accounting and financial knowledge. The institution's fiscal council may perform the duties of the audit committee, provided it operates on a permanent basis, subject to the provisions of CMN Resolution No. 3,198.

In addition, Brazilian legislation also permits the creation of a single committee for an entire group of companies. In this case, the audit committee, as the case may be, should be responsible for any and all financial institutions and insurance companies belonging to the same group, provided that these financial institutions comply with the requirements mentioned above.

Auditing Requirements

We are required under Brazilian law to prepare our consolidated financial statements in accordance with Brazilian GAAP and other applicable regulations. As a financial institution, we are required to have our consolidated financial statements audited every six months. Quarterly financial information filed with the CVM is also subject to review by our independent auditors. In January 2003, the CVM approved regulations requiring audited entities to disclose information relating to an independent auditing firm's non-auditing services whenever such services represent more than 5.0% of the fees the entity paid to the external accounting firm.

In addition, in accordance with CMN Resolution No. 3,786, dated September 24, 2009, starting as of December 31, 2010, our annual consolidated financial statements must be prepared in accordance with IFRS, and accompanied by an independent auditor report. Pursuant to CMN Resolution No. 3,853, dated April 30, 2010, as a listed financial institution that is required to prepare interim consolidated financial statements, we must prepare such interim consolidated financial statements in accordance with IFRS issued by the IASB, and translated into Portuguese by a Brazilian entity authorized by the International Accounting Standards Committee Foundation.

Ombudsman Office

Pursuant to Resolution No. 3,849 enacted by the CMN on March 25, 2010 that replaced Resolution No. 3,477 enacted by the CMN on July 26, 2007, financial institutions and other entities which are authorized to operate by the Brazilian Central Bank must, as of September 30, 2007, have an ombudsman office to facilitate communication between the institutions and their customers, and in order to observe strictly consumer rights legislation and the enhancement and improvement of products, services and customer service. The ombudsman office must be managed by an ombudsman officer (who may also be the ombudsman himself, provided that, in this case, such person may not be responsible for any other activity in the financial institution) and be proportional to the institution's activities and the complexity of its products. Institutions that are part of a financial group are allowed to establish one ombudsman office to service the whole group.

Financial institutions must report and maintain updated information on the officer in charge of the ombudsman office. The officer in charge must prepare a report every six months (as of June 30 and December 31 of each year) and whenever a material event is identified pursuant to the instructions of the Brazilian Central Bank.

Asset Management Regulation

Under Laws No. 10,198, dated February 14, 2001 and No. 10,303, dated October 31, 2001 and CVM Ruling No. 306, dated May 5, 1999, as amended, asset management is regulated by the CMN, the Brazilian Central Bank and the CVM and also self-regulated by ANBIMA.

Investment funds are subject to the regulation and supervision of the CMN and the CVM and, in certain specific matters, the Brazilian Central Bank. Investment funds may be managed by multiple service banks, commercial banks, savings banks, investment banks, credit, finance and investment companies and brokerage and dealer companies within certain operational limits. CMN regulations provide that institutions must segregate their asset management activities from their other activities.

Investment funds may invest in any type of financial instrument available in the financial and capital markets, including for example, fixed income instruments, stocks, debentures and derivative products, provided that, in addition to the denomination of the fund, a reference to the relevant type of fund is included, in accordance with the classification table of Instruction No. 409, enacted by the CVM on August 18, 2004, as amended (and, in relation to structured investment funds, in accordance with specific regulation enacted by CVM for each type of structured investment fund).

Investment funds may not:

- have more than 10.0% of their net worth invested in securities of a single issuer that is not a financial institution, its controlling shareholders, subsidiaries and affiliates or of a federal, state, municipality or other investment fund; and

- have more than 20.0% of their net worth invested in securities issued by a financial institution (including the fund manager), its controlling shareholders, subsidiaries and affiliates.

The Brazilian Central Bank enacted Circular No. 3,086 on February 15, 2002, establishing criteria for the registration and accounting evaluation of securities and financial instruments and derivatives that form financial investment funds, application funds in quotas of investment funds, individual programmed retirement funds and offshore investment funds. Pursuant to such Circular, the Brazilian Central Bank ordered fund managers to mark their fixed-income securities to market; hence, the fund's portfolio assets must be accounted for at their fair market value, instead of their expected yield to maturity. As a result of this mark-to-market mechanism, the fund quotas reflect the fund's net asset value.

The asset management industry is also self-regulated by ANBIMA, which enacts additional rules and policies from time to time, especially with respect to the marketing and advertising of investment funds.

Broker-Dealer Regulation

Broker and dealer firms are part of the national financial system and are subject to CMN, Brazilian Central Bank and CVM regulation and supervision. Brokerage firms must be chartered by the Brazilian Central Bank and are the only institutions in Brazil authorized to trade on Brazil's stock, mercantile and futures exchanges. Both brokers and dealers may act as underwriters in the public placement of securities and engage in the brokerage of foreign currency in any exchange market.

Broker and dealer firms may not:

- execute operations that may be qualified as the granting of loans to their customers, including the assignment of rights with limited exceptions;

- collect commissions from their customers related to transactions of securities during the primary distribution;
- acquire real estate which is not for their own use; or
- obtain loans from financial institutions, except for (1) loans for the acquisition of goods for use in connection with the firm's corporate purpose or (2) loans the amount of which does not exceed two times the relevant firm's net worth.

Foreign Investment in Brazil

Foreign Direct Investment

Foreign direct investment in Brazil is regulated by Law No. 4,131 and Law No. 4,390 enacted on September 3, 1962 and August 29, 1964, respectively. According to Law No. 4,131, foreign capital is considered to be "any goods, machinery and equipment that enter Brazil, with no initial disbursement of foreign currency, for the production of goods and services, as well as any funds brought into the country for investment in economic activities, provided that in both cases they belong to individuals or legal entities resident, domiciled or headquartered abroad".

Foreign capital must be registered with the Brazilian Central Bank through the Electronic Registration System —Foreign Direct Investment (*Registro Declaratório Eletrônico — Investimento Externo Direto*) within thirty days of the flow of funds into Brazil in accordance with Law No. 4,131. The registration of foreign capital is required for the remittance of profits abroad, the repatriation of capital and the registration of reinvestments. Investments will always be registered in the foreign currency in which they are actually made, or in Brazilian currency, if the funds are derived from a non-resident account properly kept in Brazil.

On December 28, 2006, Law No. 11,371 amended Law No. 4,131 and established that the foreign capital invested in Brazilian companies not yet duly registered with the Brazilian Central Bank within such thirty day period and not subject to other types of registration must be registered therewith. For the purposes of such registration the amount of foreign capital in *reais* to be registered must be evidenced in the accounting records of the relevant Brazilian company. Foreign capital invested and not already registered must be registered prior to the last business day of the subsequent calendar year during which the company becomes obligated to register the capital.

Other than such registration, foreign investment is not subject to government approvals or authorizations, and there are no requirements regarding minimum investment or local participation in capital (except in very limited cases such as in financial institutions, insurance companies and other entities subject to specific regulations). Foreign participation, however, is limited (that is, subject to approvals) or forbidden in several sectors. A Presidential Decree enacted in November 1997 allows up to 100% foreign participation in the capital stock of Santander Brasil.

Foreign investments in currency must be officially channeled through financial institutions duly authorized to deal in foreign exchange. Foreign currency must be converted into Brazilian currency and vice versa through the execution of an exchange contract. Foreign investments may also be made through the contribution of assets and equipment intended for the local production of goods and services.

Capital Markets Investment

Investors residing outside Brazil, including institutional investors, are authorized to purchase securities in Brazil on the Brazilian stock exchange, provided that they comply with the registration requirements set forth in Resolution No. 2,689, issued on January 26, 2000, of the CMN, and CVM Instruction No. 325, issued on January 27, 2000.

With certain limited exceptions, CMN Resolution No. 2,689 allows investors to carry out any type of transaction in the Brazilian capital markets involving a security traded on a stock, future or organized over-the-counter market, but investors may not transfer the ownership of investments made under CMN Resolution No.

2,689 to other non-Brazilian holders through private transactions. Investments and remittances outside Brazil of gains, dividends, profits or other payments under our preferred shares are made through the commercial rate exchange market.

In order to become a CMN Resolution No. 2,689 investor, an investor residing outside Brazil must:

- appoint at least one representative in Brazil that will be responsible for complying with registration and reporting requirements and reporting procedures with the Brazilian Central Bank and the CVM. If the representative is an individual or a non-financial company, the investor must also appoint an institution duly authorized by the Brazilian Central Bank that will be jointly and severally liable for the representative's obligations;

- complete the appropriate foreign investor registration form;

- register as a foreign investor with the CVM;

- register the foreign investment with the Brazilian Central Bank;

- appoint a tax representative in Brazil; and

- obtain a taxpayer identification number from the Brazilian federal tax authorities.

PIS and COFINS Tax Rates

Since September 2003, the PIS and COFINS tax rates have been imposed on our revenues, net of certain expenses, at a combined rate of 4.65%. The COFINS and the PIS rates for certain non-financial companies is 7.6% and 1.65%, respectively, resulting in a combined rate of 9.25%, although certain deductions for expenses are authorized (non-cumulative PIS and COFINS regime). These rates affect us less directly, as only certain of our consumer finance subsidiaries are considered to be non-financial institutions for the purposes of COFINS and PIS. The PIS and COFINS rates on the revenues resulting from financial revenues received by legal entities, which are subject to the non-cumulative PIS and COFINS regime, are currently zero. This rate, however, is not applicable to revenues derived from interest over capital.

PIS and COFINS are considered a profit-base component (net basis of certain revenues and expenses) and therefore, under IFRS are recorded as income taxes.

Tax on Financial Transactions (IOF)

CPMF, a provisory contribution levied on certain financial transactions, such as customer's account operations, has not been in force in Brazil since December 31, 2007. In order to replace losses resulting from the elimination of the CPMF, since 2008 the President enacted several Decrees (Decree No. 6,339/08, Decree No. 6,345/08, Decree No. 6,391/08, Decree No. 6,453/08, Decree No. 6,566/08, Decree No. 6,613/08, Decree No. 6,691/08, Decree No. 6,983/09, Decree 7,011/09, Decree 7,323/10, Decree 7,330/10, Decree 7,412/10, Decree 7,454/11, Decree 7,456/11, Decree 7,457/11, Decree 7,458/11, Decree 7,487/11, Decree 7,536/11, Decree 7,563/11, Decree 7,632/11 and Decree 7,683/12, Decree 7,698/12 and Decree 7,699/12) amending Decree No. 6,306/07 and modifying the rates for the IOF, which is levied on credit, currency exchange, insurance and securities transactions. The purpose of these Decrees enacted in 2008 going forward was to change IOF rates, as well as to impose additional IOF rates for credit, currency exchange and insurance transactions, with some exceptions.

Generally, the IOF is imposed on the following transactions and at the following rates:

Transaction[1]	Maximum Legal Rate	Present Rate
Credit extended by financial institutions and non-financial entities	1.5% per day	Up to 0.0041% per day for loans contracted by legal entities and 0.0068% per day for individuals. An additional 0.38% rate is applicable.
Transactions relating to securities[2]	1.5% per day	0.5% per day for certain investment funds 0% on transactions with equity securities and certain debt securities, such as debentures and real estate receivables notes (CRIs) 1.0% per day on transactions with fixed income derived from federal, state, or municipal bonds, and fixed income investment funds limited to certain percentages of the income raised from investment 1.5% on the assignment of securities to permit the issuance of Depositary Receipts abroad
Transactions relating to derivatives	1%	1% on the notional value of the adjusted purchase sale or maturity of financial derivative contract in the country that individually result in an increased foreign exchange exposure on a short position 0% on derivative contracts to hedge risks inherent to the price fluctuation of foreign exchange resulting from export contracts signed by an individual or legal entity resident or domiciled in the country 0% other transactions with financial derivative contracts not expressly mentioned by the tax law
Insurance transactions entered into by insurance companies	25.0%	2.38% for health insurance and life insurance 7.38% for other types of insurance
Foreign exchange transactions[2]	25.0%	0.38% (general rule) 6.38% on credit card transactions as from April 27, 2011 0% for outflow of funds related to loans obtained from abroad (irrespective of the term) and for inflow of funds related to loans obtained from abroad for a period greater than 1,800 days 6.0% for remittances from abroad related to loans that will remain in Brazil for a period lower than or equal to 1,800 days 0% for interbank transactions 0% for exchange transactions in connection with the outflow of proceeds from Brazil for the remittance of interest on net equity and dividends to be received by foreign investors

	6.0% for exchange transactions, including by means of simultaneous foreign exchange transactions, for the inflow of funds by foreign investors in the Brazilian financial and capital markets, except that variable income investments in stock exchanges and share acquisitions as part of an initial public offering, as well as investments in certain private equity funds, are not subject to an IOF rate
	6.0% for exchange transactions, including by means of simultaneous foreign exchange transactions, for the inflow of funds by foreign investors for purposes of initial or additional margin requirements in connection with transactions in stock exchanges
	0% for exchange transactions for the outflow of funds invested by foreign investors in the Brazilian financial and capital markets
	0% for exchange transactions for the inflow and outflow of funds invested by foreign investors, including by means of simultaneous foreign exchange transactions, in certificates of deposit of securities, known as Brazilian Depositary Receipts, or BDRs
	0% for exchange transactions by means of simultaneous foreign exchange transactions effected on or after December 1, 2011, for the inflow of funds by foreign investors derived from the conversion of direct investments in Brazil made pursuant to Law 4,131/62 into investments in stock tradable in stock exchanges
	0% for revenues related to the export of goods and services transactions

(1) The transactions mentioned in the table are for illustration purposes and do not reflect an exhaustive list of transactions subject to the IOF.
(2) There are some exemptions or specific cases in which the applicable rate is zero.

Foreign Investment and the Brazilian Constitution

The Brazilian constitution prohibits foreign financial institutions from establishing new branches or subsidiaries in Brazil except when duly authorized by the President of Brazil and by the Brazilian Central Bank. A foreign financial institution duly authorized to operate in Brazil through a branch or a subsidiary is subject to the same rules, regulations and requirements that are applicable to any Brazilian financial institution.

Foreign Investment in Brazilian Financial Institutions

The Brazilian constitution permits foreign individuals or companies to invest in the voting shares of Brazilian financial institutions only if they have specific authorization by the President of Brazil based on national interest or reciprocity. A decree on November 13, 1997, issued in respect of Banco Meridional do Brasil S.A. (our legal predecessor) allows 100% foreign participation in our capital stock. Foreign investors may acquire the shares issued by this offering as a result of this decree. In addition, foreign investors may acquire publicly traded non-voting shares of Brazilian financial institutions negotiated on a stock exchange or depositary receipts offered abroad representing shares without specific authorization.

Regulation of Branches

Authorization by the Brazilian Central Bank is required for operations of branches or subsidiaries of Brazilian financial institutions, including compliance with the requirement that (1) the institution shall have been in operation for at least six years, (2) the institution's paid-up capital and net worth shall meet the minimum levels established in Exhibit II to CMN Resolution No. 2,099 of August 17, 1994, plus an amount corresponding to 300.0% of the minimum paid-up capital and net worth required by Brazilian Central Bank regulations for commercial banks, and (3) the Brazilian financial institution shall present to the Brazilian Central Bank a study on the economic and financial viability of the subsidiary, branch or investment.

In addition, such authorization will only be granted if the Central Bank has access to information, data and documents relating to the operations and accounting records of the financial institution in which it has a direct or indirect holding abroad. Delay in providing the Brazilian Central Bank with the required information and documents subjects the relevant financial institution to fines. Furthermore, the failure by a Brazilian bank to comply with the requirements of CMN Resolution No. 2,723 would result in the deduction of a designated percentage of the assets of such branch or subsidiary from the net worth of such bank for the purpose of calculating such bank's compliance with the capital adequacy requirements of the Brazilian Central Bank, regardless of other penalties applied pursuant to the applicable regulation, including the cancellation of the authorization by the Brazilian Central Bank.

The Brazilian Central Bank's prior authorization is also required in order to: (1) allocate new funds to branches or subsidiaries abroad; (2) subscribe capital increases, directly or indirectly, to subsidiaries abroad; (3) increase equity participation, directly or indirectly, in subsidiaries abroad; and/or (4) merge or spin off, directly or indirectly, subsidiaries abroad. The requirements set out in items (1) to (4) are applicable only if such subsidiary is a financial institution or similar entity.

Leasing Regulations

The CMN, in its capacity as regulator and supervisor of the financial system, provides the details set forth in Law No. 6,099, and CMN Resolution No. 2,309 of August 28, 1996, and supervises and controls the transactions entered into by leasing companies. Furthermore, to the extent applicable, the laws and regulations issued by the Brazilian Central Bank with respect to financial institutions in general, such as reporting requirements, capital adequacy and leverage, asset composition limits and treatment of doubtful loans, are also applicable to leasing companies.

Private Pension Plans

Open-fund private pension plans are subject, for purposes of inspection and control, to the authority of the CNSP and the SUSEP, which are regulated by the Ministry of Finance. The CMN, CVM and Brazilian Central Bank may also issue regulations pertinent to private pension plans, particularly with respect to the composition of technical reserves. Open-fund private pension entities must set aside reserves and provisions as collateral for their liabilities. Regulations applicable to pension funds generally do not allow such funds to invest resources abroad.

Banking Consumer Defense Code

CMN Resolutions No. 3,694 and 3,695, both dated March 26, 2009, established procedures with respect to prevention of risks of financial transactions and services provided by financial institutions to customers and the public in general, aiming at improving the relationship between market participants by fostering additional transparency, discipline, competition and reliability on the part of financial institutions. This regulation consolidates all the previous related rules.

The principal aspects of the above-mentioned rules are described below:

- financial institutions must ensure that customers are fully aware of all contractual clauses, including responsibilities and penalties applicable to both parties, providing timely copies of contracts, receipts, extracts and other documents related to transactions and services rendered in order to enable customers to freely take their decisions;

- financial institutions must adopt in all contracts and related documents clear wording, which is not misleading, adequate to the complexity and nature of the transaction or service rendered, in order to enable the understanding of the content and identification of terms, amounts, charges, penalties, dates, places and other conditions;

- financial institutions are prohibited from refusing or hindering customers and users of their products and services access to conventional channels of assistance, including cashier services (personal counter assistance), even in cases of alternative electronic assistance;

- financial institutions are prohibited from postponing withdrawals up to R$5 thousand. For higher amounts, financial institutions may postpone the transaction to the next business day; and

- financial institutions are prohibited from making loans from deposit accounts without prior authorization from the customer.

In addition to the procedures described above, the Federal Supreme Court decided on June 7, 2006 that relationships between consumers and financial institutions are governed by Law No. 8,078, dated September 11, 1990 (the "Brazilian Consumer Protection Code"), which grants consumers certain rights that facilitate their defense in court, such as the possibility of the reverse burden of proof, and authorizes Courts to review interest rates deemed abusive, in a case-by-case basis. Financial institutions must fully comply with the measures set forth in the Brazilian Consumer Protection Code.

Cayman Islands Banking Regulation

Banks and trust companies wishing to conduct business from within the Cayman Islands must be licensed by the Cayman Islands Monetary Authority under the Banks and Trust Companies Law (2009 Revision) (the "Banks and Trust Companies Law"), whether or not such business is actually to be conducted in the Cayman Islands.

Under the Banks and Trust Companies Law, there are two main categories of banking license: a category "A" license, which permits unrestricted domestic and off-shore banking business, and a category "B" license, which permits principally off-shore banking business. As of December 31, 2011, there were approximately 15 banks holding category "A" licenses and approximately 219 banks holding category "B" licenses. The holder of a category "B" license may have an office in the Cayman Islands and conduct business with other licensees and offshore companies but, except in limited circumstances, may not do banking business locally with the public or residents in the Cayman Islands. We have an unrestricted category "B" license.

There are no specific ratio or liquidity requirements under the Banks and Trust Companies Law, but the Cayman Islands Monetary Authority will expect observance of prudent banking practices, and the Banks and Trust Companies Law imposes a minimum net worth requirement of an amount equal to CI$400 thousand (or, in the case of licensees holding a restricted category "B" or a restricted trust license, CI$20 thousand).

Foreign Subsidiary

We are establishing an independent subsidiary in Spain, Santander Estabelecimiento Financiero de Credito, S.A. ("Santander EFC"), in order to complement our foreign trade strategy for corporate clients – large Brazilian companies and their operations abroad – allowing us to provide financial products and services by means of an offshore entity which is not established in a jurisdiction with favorable taxation, such as our Grand Cayman Branch, in accordance with law 12,249/2010.

The remittance of the funds that will become the share capital of the subsidiary, when established, was carried out in March 5, 2012. The Santander EFC is being set up and its operational start is planned for May 2012.

Insurance Regulation

The Brazilian private insurance system is governed by three regulatory agencies: the CNSP, the SUSEP and the Supplementary Health Insurance Agency (Agência Nacional de Saúde Suplementar), or "ANS". With governmental approval, an insurance company may offer all types of insurance with the exception of workers' compensation insurance, which is provided exclusively by the National Institute of Medical Assistance and Social Welfare (Instituto Nacional de Seguridade Social), or "INSS". Insurance companies sell policies through accredited brokers. In accordance with Brazilian insurance legislation, health insurance must be sold separately from other types of insurance by a specialized insurance company that is subject to the rules of the ANS, the agency responsible for private health insurance.

Insurance companies must set aside reserves to be invested in specific types of securities pursuant to the stringent rules of the CMN regarding the composition of its own technical reserves.

Insurance companies are exempt from ordinary bankruptcy procedures and instead are subject to special procedures conducted by the SUSEP, or by the ANS, depending on the type of insurance products the insurance company sells. Dissolutions may be either voluntary or compulsory. The Minister of Finance is responsible for issuing the decree ordering a given insurance company to cease its activities, in case of a compulsory dissolution (which thereafter is conducted by SUSEP), while ANS is responsible for commencing dissolution proceedings of health insurance companies.

There is currently no restriction on foreign investments in insurance companies per se. However there are certain restrictions when health insurance companies own hospitals (since this kind of asset or facility must be exclusively held or controlled by Brazilian-based companies).

According to Brazilian law, insurance companies must buy reinsurance to the extent their liabilities exceed their technical limits under the SUSEP rules. For several years, reinsurance activities in Brazil were carried out on a monopoly basis by IRB — Brasil Resseguros S.A., or "IRB". On January 16, 2007, Complementary Law No. 126/07 was enacted, providing for the opening of the Brazilian reinsurance market to local and foreign competitors. This law specifically established new policies related to reinsurance, retrocession and its intermediation, as well as coinsurance operations, instances in which insurance products may be directly contracted abroad and/or in foreign currency.

The main changes introduced by Complementary Law No. 126/07 are summarized below. Three types of reinsurers were created by such law, in particular:

- *Local reinsurer*. Reinsurer with head office in Brazil, incorporated as a corporation (sociedade por ações) and having as exclusive purpose the performance of reinsurance and retrocession transactions;

- *Admitted reinsurer*. Nonresident reinsurer, registered with the SUSEP to carry out reinsurance and retrocession transactions, with a representative office in Brazil, which complies with the requirements of Complementary Law No. 126/07 and the applicable rules regarding reinsurance and retrocession activities; and

- *Eventual reinsurer*. Nonresident reinsurer, registered with the SUSEP to carry out reinsurance and retrocession transactions, without a representative office in Brazil, which complies with the requirements of Complementary Law No. 126/07 and the applicable rules regarding reinsurance and retrocession activities.

An eventual reinsurer must not be a resident in a country considered as a tax-haven jurisdiction, which does not tax income or tax it at a rate 20.0% below or which does not disclose information about shareholding structure.

Admitted or eventual reinsurers must comply with the following minimum requirements:

- to be duly incorporated, according to the laws of their countries of origin, in order to underwrite local and international reinsurance in the fields that they intend to operate in Brazil and present evidence that they have carried out their operations in their respective countries of origin for at least five years;

- to have economic and financial capacity not inferior to the minimum to be established by CNSP;

- to have a rating issued by rating agencies recognized by the SUSEP equal to or higher than the minimum established by CNSP;

- to have a duly appointed resident attorney-in-fact in Brazil with full administrative and judicial powers; and

- to comply with current and future additional requirements established by CNSP and the SUSEP.

In addition to the requirements mentioned above, admitted reinsurers must open and keep during the entire period in which they are operating a foreign currency escrow account (conta vinculada) to which the SUSEP may have access and periodically submit to such regulatory agency their respective consolidated financial statements, pursuant to the rules enacted by CNSP.

The contracting of reinsurance and retrocession in Brazil or abroad shall be either through direct negotiation between the involved parties or an accredited reinsurance broker. Foreign reinsurance brokers may be authorized to operate in Brazil, according to the law and additional requirements established by the SUSEP and CNSP.

Reinsurance operations relating to annuities and survival life insurance (vida por sobrevivência) and private pension plans are exclusive of local reinsurers. With due observance of the rules to be enacted by CNSP, insurance companies when transferring their risks in reinsurance must comply with the following rules:

- at least 40.0% of the risk being ceded by insurance companies must be placed with local reinsurers (the same undertaking applies to local reinsurers); and

- not more than 20.0% of the total premium of each product coverage it offers may be ceded to local or foreign reinsurers belonging to its own economic group (that is, companies directly or indirectly related, either by having an equity ownership above 10.0% or sharing the same effective control (such as having the same management members or similar corporate names or brands)). This restriction does not apply to credit insurance (seguro garantia), export and internal credit (crédito à exportação/crédito interno), rural insurance (seguro rural) and nuclear-risk insurance products.

The technical reserves funds of local reinsurers and the funds deposited in Brazil for purposes of guaranteeing admitted reinsurers' local activities will be managed according to the rules of the CMN. IRB continues to be authorized to carry out reinsurance and retrocession activities in Brazil as a local reinsurer.

Antitrust Regulation

On November 30, 2011, the new Brazilian Antitrust Law ("Law No. 12,529") was enacted. Law No. 12,529 introduced several changes to the organizational structure of the Administrative Council for Economic Defense ("CADE"). In addition, according to Law No. 12,529, transactions resulting in an increase in market share must be previously submitted to CADE for approval if the following criteria are met: (1) any of the parties had, according to its last balance sheet, gross revenue or total domestic business volume for the year preceding the transaction of R$400 million or more; and (2) at least one of the parties involved, according to its last balance sheet, had gross revenue or total domestic business volume for the year preceding the transaction of R$30 million or more. The previously applied criterion pursuant to which a 20% market share required submission of a transaction to CADE was eliminated by Law No. 12,529. The closing of a transaction before its approval by CADE will subject the parties to fines ranging from R$60 thousand to R$60 million. Law No. 12,529 will take effect by May 29, 2012.

MANAGEMENT

According to our by-laws, we are managed by a board of directors (*conselho de administração*) and executive officers (*diretoria executiva*). Only individuals may be elected as members of the board of directors and as executive officers. The members of the board of directors may or may not be shareholders, whether or not residing in Brazil, and the executive officers may or may not be shareholders, provided they reside in Brazil.

In addition to those two administrative bodies, we also have another statutory body, the audit committee, which reports to the board of directors and was created and functions in accordance with the standards of the Brazilian Central Bank (CMN Resolution No. 3,198/04).

Board of Directors

The board of directors is the supervisory board of the Bank as set out in our by-laws and in applicable legislation. The board of directors is responsible for guiding the business of the Bank and its subsidiary and associated companies in Brazil.

Since September 2, 2009, and as provided for in our by-laws, the board of directors is comprised of a minimum of five members and a maximum of twelve members, elected at the shareholders' meeting for terms of two years. A minimum of 20% of the members of the board of directors must be independent directors, as defined by Regulation Level 2 of the BM&FBOVESPA. The board of directors has a Chairman and a Vice Chairman each elected at the general shareholders' meeting by majority vote.

The board of directors meets regularly four times a year and extraordinarily as often as required.

The current members of the board of directors were appointed at the ordinary and extraordinary shareholders' meeting held on April 26, 2011, and the extraordinary shareholders' meeting held on October 25, 2011, including three independent directors. The term of the members of the board of directors will expire at the general shareholders' meeting to be held in the first four months of 2013.

Pursuant to Brazilian law, the election of each member of the board of directors must be approved by the Brazilian Central Bank.

As a result of our agreement with BM&FBOVESPA to join the Level 2 segment of BM&FBOVESPA and of our adherence to Regulation Level 2 of the BM&FBOVESPA, our directors have, prior to taking office, executed an instrument of adherence to this regulation and our agreement with BM&FBOVESPA.

The following table presents the names, positions and dates of birth of the current members of our board of directors:

Name	Position	Date of Birth
Celso Clemente Giacometti	Chairman (Independent member)	October 13, 1943
Marcial Angel Portela Alvarez	Vice Chairman	March 24, 1945
José Antonio Alvarez Alvarez	Member	January 6, 1960
José Manuel Tejón Borrajo	Member	July 11, 1951
José de Menezes Berenguer Neto	Member	September 10, 1966
José de Paiva Ferreira	Member	March 1, 1959
José Roberto Mendonça de Barros	Independent Member	February 7, 1944
Viviane Senna Lalli	Independent Member	June 14, 1957

Below are biographies of the members of our board of directors.

Celso Clemente Giacometti. Mr. Giacometti is Brazilian and was born on October 13, 1943. He holds a degree in business administration from the Faculdade de Economia São Luís and graduated with an accounting sciences degree from the Faculdade de Ciências Econômicas de Ribeirão Preto. He started his career in 1960 as an auditor at Citibank. From 1963 to 2001 he worked at Arthur Andersen, becoming a partner in 1974 and acting as CEO of Brazilian operations from 1985 to 2000. He served on the board of directors and audit committees of Lojas Marisa S.A., Tarpon Investments and TIM Participações. He was also the CEO of Souto Vidigal, a holding company and family office from 2004 to 2006. On February 3, 2010 he was elected as an independent member of the board of directors of Santander Brasil. He is currently a statutory member of the fiscal council and audit committee of AMBEV and of the Fiscal Council of CTEEP/ISA – Transmissão Paulista. He is the managing partner of Giacometti Serviços Profissionais Ltda. Mr. Giacometti is also one of the co-founders and former board member of IBGC.

Marcial Angel Portela Alvarez. Mr. Portela is Spanish and was born on March 24, 1945. He holds a bachelor's degree in political science from the Universidad de Madrid in Spain and a master's degree in sociology from the University of Louvain in Belgium. In September 2009, he was elected as chairman of the board of directors of Santander Brasil, a position that is in addition to his position as General Director of the Santander Group. In January 2011, Mr. Portela became vice-chairman of our board of directors, and in February 2011, he was elected as our president. Mr. Portela began at Santander Spain in 1999 as the executive vice president responsible for technology, operations, human resources and efficiency programs. He was a member of the board of directors of Banco Santander Mexico S.A. and vice president of Banco Santander Chile S.A. In 1998, he worked for Comunitel, S.A. in Spain, from 1996 to 1997 he served as president of Telefónica International and from 1992 to 1996, he served as member of the board of directors of Telefónica S.A. (Spain). From 1991 to 1996, he served as administrator for Corporación Bancaria España, S.A. —Argentaria and as the chairman of the board of directors of Banco Español de Crédito S.A. Banesto. From 1990 to 1991 he worked for Banco Exterior de España, S.A. in Spain.

José Antonio Alvarez Alvarez. Mr. Alvarez is Spanish and was born on January 6, 1960. He holds a bachelor's degree in business economics science from Universidad Santiago de Compostela in Spain and a MBA from the University of Chicago's Graduate School of Business. He started at Santander Spain in 2002 as the head of finance management and in November 2004 was named chief financial officer. He served as financial director of Banco Bilbao Vizcaya Argentaria, S.A. in Spain from 1999 to 2002 and as financial director of Corporación Bancaria de España, S.A. (Argentaria) from 1995 to 1999. He was also chief financial officer for Banco Hipotecario, S.A. in Spain from 1993 to 1995 and vice president of Finanpostal Gestión Fondos de Inversión y Pensiones from 1990 to 1993. He was a member of the board of directors of Banco de Crédito Local S.A. from 2000 to 2002 and is a member of the board of directors of Santander Consumer Finance, S.A., the chairman of Santander de Titulización, SGFT, S.A., a member of the board of directors of Bolsa de Mercados Españoles, S.A. (BME) and a member of the board of directors of Santander Global Property, S.L.

José Manuel Tejón Borrajo. Mr. Tejón is Spanish and was born on July 11, 1951. He holds a bachelor's degree in economics from the Universidad Complutense de Madrid in Spain. He started at Santander Spain in 1989 as head of general audit and since 2004 has been responsible for the general audit division and administration control. Within the Santander Group, he also serves as the president of the board of directors of Banco de Albacete, S.A., the president of the board of directors of Cantabro Catalana de Inversiones, S.A., a member of the board of directors of Santander Investments, S.A., the vice president of the board of directors of Santander Investments I, S.A., a director of Santander Holding Internacional, S.A., an officer of Santusa Holding, S.L., vice president of the board of directors of Santander Gestión, S.L., president of the board of directors of Administración de Bancos Latinoamericanos Santander, S.L. and president of the board of directors of Grupo Empresarial Santander, S.L.

José de Menezes Berenguer Neto. Mr. Berenguer is Brazilian and was born on September 10, 1966. He graduated in 1989 with a law degree from the Pontifícia Universidade Católica in São Paulo. As a member of our board of directors and our senior vice-president executive officer, he is the head of the retail marketing distribution channels and retail products area of Santander Brasil, Private & Asset Management. Mr. Berenguer has been engaged in treasury and investment banking for 25 years. He served as a member of the board of the Emerging Markets Traders Association in 1997 and 1998. Mr. Berenguer was a board member of the Stock Exchange of Rio de Janeiro (*Bolsa de Valores do Rio de Janeiro*) between 2000 and 2002. In 2002 he became a board member of BM&FBOVESPA. He is the brother of André Fernandes Berenguer, one of our officers. He is currently an executive officer of FEBRABAN. Until March 2012, he held the position of senior vice-president executive officer of the Bank, and was an executive officer of CRV - Distribuidora de Títulos e Valores Mobiliários S.A., Aymoré Crédito, Financiamento e Investimento S.A., Santander Leasing S.A. Arrendamento Mercantil and Santander CHP S.A. and chief executive officer of Banco Bandepe S.A.

José de Paiva Ferreira. Mr. Ferreira is Portuguese and was born on March 1, 1959. He holds a degree in business administration from the Fundação Getúlio Vargas, a post-graduate degree in business from the Fundação Getúlio Vargas and an MBA from the Wharton School of Business. Mr. Ferreira has been engaged in the financial markets for 36 years. He started at Banco Bradesco in 1973 and joined Banco Geral do Comércio S.A. in 1985 as chief assistant of services and served as an executive vice-president/executive officer of Banco Geral do Comércio S.A., Banco Santander Noroeste S.A., Banco Meridional, Banco do Estado de São Paulo S.A. –Banespa, and Santander Brasil. He was also executive officer of Santander Administradora de Consórcios Ltda., Aymoré Crédito, Financiamento e Investimento S.A., Banco Bandepe S.A., superintendent officer of Santander Seguros and Santander Capitalização, vice-president executive officer and vice-chairman of the board of directors of Santander Seguros and member of the board of directors of Universia Brasil S.A. He was also senior vice-president executive officer of Santander Brasil and from 2000 to 2011 head of the retail marketing distribution channels and retail products area of Santander Brasil.

José Roberto Mendonça de Barros. Mr. Mendonça is Brazilian and was born on February 7, 1944. He holds a bachelor's degree, post-graduate and doctorate degree in economics from the University of São Paulo and a post-doctorate degree in economics from Yale University. He is currently a member of the board of directors of BM&FBOVESPA and Tecnisa, a member of the advisory board of Pão de Açúcar, of Grupo O Estado de São Paulo, of FEBRABAN, of Schneider Electric and of Link Partners. He is also a member of the consulting chamber of the Novo Mercado Project for BM&FBOVESPA. In September 2009, he was elected as an independent member of the Board of Directors of Santander Brasil. He was a member of the board of directors of GP Investments, Fosfertil/Ultrafertil, Varig Participações em Transportes Aéreos, Frigorífico Minerva, Economia da FIESP, Companhia Energética de São Paulo, ELETROPAULO - Electricidade de São Paulo, CPFL - Companhia Paulista de Força e Luz, COMGAS - Companhia de Gás de São Paulo, and of the strategic committee of Companhia Vale do Rio Doce.

Viviane Senna Lalli. Ms. Senna is Brazilian and was born on June 14, 1957. She holds a bachelor's degree in psychology from the Pontifícia Universidade Católica in São Paulo. From 1981 to 1996, she worked as a psychotherapist of adults and children. In September 2009, she was elected as an independent member of our board of directors. She is also a member of the Brazilian Presidency Board (CDES), the advisory board of FEBRABAN and Citibank Brasil, the board of education of CNI and FIESP, the boards of Institutos Coca Cola, Energias do Brasil, ADVB and Todos pela Educação and of the orientation and social investment committees of Banco Itaú-Unibanco.

Executive Officers

Our executive officers are responsible for the management of our bank.

Since April 27, 2010, and as provided for in our by-laws, our executive officers are comprised of a minimum of two members and a maximum of seventy-five members, elected by our board of directors for terms of two years. One of them must be designated as our president, and the others may be appointed as senior vice-president executive officers, vice-president executive officers, investor relations officer, executive officers and officers without specific designation. Certain of our executive officers are also members of the boards of executive officers and boards of directors of our subsidiaries.

The executive officers shall meet as often as required by the CEO or by the officer designated by him. The current executive officers were elected at the board of directors meetings held on May 31, 2011, June 21, 2011, September 22, 2011, October 26, 2011, February 29, 2012 and March 28, 2012. The term of the executive officers will expire at the first board of directors meeting following the general shareholders' meeting to be held in the first four months of 2013. Pursuant to Brazilian law, an acting officer retains his or her position until he or she is reelected or a successor is elected.

As a result of our agreement with BM&FBOVESPA to join the Level 2 segment of BM&FBOVESPA and of our adherence to Regulation Level 2 of the BM&FBOVESPA, our officers have, prior to taking office executed an instrument of adherence to this regulation and our agreement with BM&FBOVESPA.

The following table presents the names, positions and dates of birth of our executive officers:

Name	Position	Date of Birth
Marcial Angel Portela Alvarez[1]	Chief Executive Officer	March 24, 1945
Conrado Engel[1]	Senior Vice President Executive Office	May 30, 1957
Angel Oscar Agallano[1]	Vice President Executive Officer	March 18, 1957
Carlos Alberto López Galán[1]	Vice President Executive Officer	November 6, 1962
Ignacio Dominguez-Adame Bozzano [1]	Vice President Executive Officer	August 20, 1968
João Guilherme de Andrade So Consiglio[1]	Vice President Executive Officer	December 7, 1968
Juan Manuel Hoyos Marínez de Irujo[1] [2] [3]	Vice President Executive Officer	January 7, 1953
Lilian Maria Ferezim Guimarães[1]	Vice President Executive Officer	August 26, 1960
Luís Felix Cardamone Neto[1]	Vice President Executive Officer	March 16, 1964
Marco Antonio Martins de Araújo Filho[1]	Vice President Executive Officer	June 19, 1965
Oscar Rodrigues Herrero[1]	Vice President Executive Officer	October 4, 1971
Pedro Paulo Longuini[1]	Vice President Executive Officer	June 7, 1957
Pedro Carlos Araújo Coutinho[1]	Vice President Executive Officer	April 2, 1966
José Roberto Machado Filho	Executive Officer	August 25, 1968
Luciane Ribeiro	Executive Officer	June 7, 1963
Maria Luiza de Oliveira Pinto e Paiva	Executive Officer	July 14, 1963
Jose Alberto Zamorano Hernandez	Executive Officer	May 9, 1962
Amancio Acúrcio Gouveia	Officer	March 31, 1963
André Fernandes Berenguer	Officer	January 13, 1968
Antonio Pardo de Santayana Montes	Officer	November 5, 1971
Cassio Schmitt	Officer	April 23, 1971
Cassius Schymura	Officer	February 19, 1965
Clovis Hideaki Ikeda	Officer	September 23, 1963
Ede Ilson Viani	Officer	September 5, 1967
Eduardo Müller Borges	Officer	September 12, 1967
Flávio Tavares Valadão	Officer	July 1, 1963
Gilberto Duarte de Abreu Filho	Officer	August 7, 1973
Gilson Finkelsztain	Officer	December 22, 1972
Jamil Habibe Hannouche	Officer	June 23, 1960
Luis Alberto Citon	Officer	May 17, 1963
Luis Carlos Guimarães de Carvalho Morais[3]	Officer	June 7, 1966
Luiz Carlos da Silva Cantidio Jr.	Officer	July 11, 1958
Luiz Felipe Taunay Ferreira	Officer	March 18, 1967
Mara Regina Lima Alves Garcia	Officer	December 28, 1966
Marcelo Audi[2]	Officer	January 18, 1967
Marcelo Malanga	Officer	May 18, 1969
Marcelo Zerbinatti	Officer	February 5, 1974
Marcio Aurelio de Nobrega	Officer	August 23, 1967
Marco André Ferreira da Silva	Officer	December 3, 1965
Marcos Adriano Ferreira Zoni	Officer	December 10, 1964
Maria Eugênia Andrade Lopez Santos	Officer	January 23, 1966
Mauro Siequeroli	Officer	March 24, 1957
Miguel Angel Albero Ocerin	Officer	February 23, 1960
Nilo Sérgio Silveira Carvalho	Officer	February 26, 1961
Paulo de Tarso Marques Rosa[2]	Officer	September 16, 1972
Ramón Sanchez Díez	Officer	October 29, 1968
Reginaldo Antonio Ribeiro	Officer	May 19, 1969
Roberto de Oliveira Campos Neto	Officer	June 28, 1969
Ronaldo Yassuyuki Morimoto	Officer	May 5, 1977
Sérgio Augusto Costantini	Officer	June 19, 1970
Sergio Gonçalves	Officer	August 7, 1956
Thomas Gregor Ilg	Officer	September 12, 1968
Ulisses Gomes Guimarães	Officer	March 14, 1971
Wilson Luiz Matar	Officer	November 28, 1958

(1) Member of the executive committee, which is a non-statutory committee involved in making policy decisions related to business management and operational support, human resources, allocation of capital and major technological, infrastructure and services projects.

(2) Members elected at the board of directors meeting held on February 29, 2012, whose appointment is subject to Brazilian Central Bank approval.
(3) Member whose appointment is subject to obtaining a Brazilian permanent visa, until which time such individual is not authorized to act as an officer of the Bank.

Set forth below are biographies of our executive officers.

Marcial Angel Portela Alvarez. See board of directors' biographies.

Conrado Engel. Mr. Engel is Brazilian and was born on May 30, 1957. He holds a degree in aeronautical engineering from the Instituto Tecnológico da Aeronáutica – ITA. He started his career in 1981 as management trainee of Citibank S.A., where he worked for seven years. From 1992 to 1997, he was the cards officer of Banco Nacional-Unibanco. In 1998, he was elected chief executive officer of Financeira Losango. In October 2003, he became responsible for the retail sector of HSBC in Brazil and was a member of its executive committee until the end of 2006. From January 2007 to May 2009, he was responsible for the retail sector of HSBC in the Asian-Pacific region, in Hong Kong. In May 2008, he was appointed group general manager and took office as chief executive officer of HSBC Brasil in June 2009, where he remained until March 2012. At Santander Brasil he will be elected senior vice president executive officer and be responsible for the retail business of the bank.

Angel Oscar Agallano. Mr. Agallano is Argentine and was born on March 18, 1957. He holds a degree in senior management from the Escuela de Dirección e Negócios (IAE) of Universidad Austral de Argentina. As our executive vice-president, he is responsible for operations and information technology. Mr. Agallano has been engaged in the financial markets for 36 years. He started at Santander in Buenos Aires, Argentina in 1986. From 1997 to 2000, Mr. Agallano was a member of the board of directors of Santander in Argentina and from 2002 to 2003 he served as a member of the Santander Venezuela board. He is also an executive officer of Banco Bandepe S.A., Santander Brasil Seguros S.A., and Santander Capitalização S.A and a member of the board of directors of Companhia de Arrendamento Mercantil RCI Brasil and Companhia de Crédito, Financiamento e Investimento RCI Brasil.

Carlos Alberto López Galán. Mr. Galán is Spanish and was born on November 6, 1962. He holds a bachelor's degree in business economics science from Universidad Autónoma de Madrid in Spain and a master's degree in financial markets from Universidad Pontifícia Comillas in Spain. As one of our executive vice-presidents, he has been responsible for the financial area. He is also the investor relations and chief financial officer. Mr. Galán has been engaged in the financial markets for 23 years. He started at the Santander Group as an analyst in November 1986, and in 1995 he became the controller for Santander Financial Products. From July 1997 to January 1999, he served as vice-president of Santander Investment Mexico. Mr. Galán also served from July 1999 to August 2006 as chief financial officer and operating officer and a board member for the following companies: Santander Brasil, Afore S.S., Gestora S.S., Aseguradora S.A., Casa de Bolsa and Universia. He served as a board member for the Grupo Financeiro Santander Serfin and for the following companies: Altec (currently Isban), Universia, Proaquanima, Banco Santander Serfin, Casa de Bolsa, Afore S.S., Gestora S.S. and Aseguradora S.A. He is also vice-president officer of Banco Bandepe S.A., executive officer of Santander Administradora de Consórcios Ltda., and administrative officer of Norchem Participações e Consultoria S.A. He is also member of the board of directors of Santander Leasing S.A. Arrendamento Mercantil, Santander Seguros S.A., Companhia de Arrendamento Mercantil RCI Brasil and Companhia de Crédito, Financiamento e Investimento RCI Brasil.

Ignacio Domínguez-Adame Bozzano. Mr. Bozzano is a Spanish citizen and was born on August 20, 1968. He holds a degree in Economics and Business Sciences with specialization in Finance from Universidad Complutense de Madrid. He holds an MBA from the University of Houston. He joined the Santander Group in 1994, initially developing activities in the area of Global Banking & Markets and with M&A, Project Finance and Leveraged Finance teams. From August 2006 to February 2007, he served as a Managing Officer at Banco Santander Central Hispano, SCH Investment (Spain), where he was responsible for the area of structured transactions. From February 2007 to April 2009 he served as a Managing Officer at Banco Santander Central Hispano. Currently he is responsible for the area of Credit Markets, responsible for all products related to the debt and capital markets (project financing, LBOs, acquisition financing, securities issues, etc.). From 1991 to 1992, he worked in the department of investment analysis of Dragados y Construcciones S.A. (Spain). As one of our executive vice-presidents, he is responsible for our global wholesale banking operations, including Global Banking & Markets. He is also an executive officer of REB Empreendimentos e Administradora de Bens S.A.

João Guilherme de Andrade So Consiglio. Mr. Consiglio is Brazilian and Italian and was born on December 7, 1968. He holds a degree in economics from Universidade de São Paulo and a Post Laurea from Universitá Degli Studi di Genova, Italy, Facoltá di Economia e Commercio. As one of our officers, he is currently responsible for our corporate clients. Mr. Consiglio has been engaged in the financial markets for 17 years. He was an economist at Bunge (*Serfina S.A. Adm. e Participações*) from 1990 to 1994, a manager of the economics department of Santista Corretora S.A. CVM from 1994 to 1995 and has been with Santander Brasil and/or Banco Real since 1995. He started as a corporate banking manager, then assumed corporate development and private equity functions until 2005, when he became responsible for product management and development for all of Brazil. He became head of global transaction products in Brazil in 2008, and in 2010 assumed his current responsibilities. He served as a member of the board of directors at CBSS (Visa Vale) until 2008, and as a member of the board of directors of Câmara Interbancária de Pagamentos - CIP and member of the Conselho Superior of FUNCEX until 2010.

Juan Manuel Hoyos Martínez de Irujo. Mr. Hoyos is Spanish and was born on January 7, 1953. He holds a degree in economics and management sciences from Universidad Complutense de Madrid, Spain, and an MBA in economics and accounting sciences from Columbia University, which granted him the Beta-Gamma-Sigma prize. In February 1978, Mr. Hoyos joined McKinsey and Company, where he became a partner in 1984, and an executive officer in 1991. He was President of McKinsey's offices in Spain from 1997 to 2004, and member of the shareholders' council for seven years. He was also member of the client committee. He retired after 30 years and since then he cooperates with many financial institutions for the creation of strategies, both in Spain and Latin America. Currently Mr. Hoyos is member of the board of directors of Santander Chile, Santander Mexico and Deusto Business School. As an executive vice president at Santander Brasil he is responsible for branding, marketing strategies and interactive communication platforms.

Lilian Maria Ferezim Guimarães. Ms. Guimarães is Brazilian and was born on August 26, 1960. She holds a degree in business administration from Fundação Getúlio Vargas, a specialization degree in human resources also from Fundação Getúlio Vargas and a specialization degree in business administration from Fundação Dom Cabral. She also has a graduate degree in Hotel Administration from Senac-SP. As one of our executive vice-presidents, she is responsible for the development and implementation of human resources policies. Ms. Guimarães has been engaged in the human resources area for 28 years. She was an analyst of employee compensation for Unibanco - União de Bancos Brasileiros S.A. from 1984 through 1986, a compensation manager for Citibank S.A. from 1986 through 1991, a bank industry consultant of Hays do Brasil Consultores Ltda. from 1991 through 1993, a senior manager of human resources development of Banco Nacional S.A. from 1993 through 1995, a human resources officer for Banco Inter Atlântico from 1996 through 1997, a human resources officer of Origin Brasil from 1997 through 2000 and the human resources officer of Banco Real from 2000 to 2006.

Luis Felix Cardamone Neto. Mr. Cardamone is Brazilian and was born on March 16, 1964. He studied business administration at Fundação Lusíadas - Faculdade de Administração de Empresas de Santos. As one of our executive vice-presidents, he is responsible for the consumer finance area. Mr. Cardamone has been engaged in the financial markets for 28 years. He was a sales assistant of Banco Antônio de Queiroz from 1982 through 1985, manager of Banco Comind in 1985, chief in administration services and manager of Banco Itaú S.A. from 1985 through 1987, and worked at Banco Real from 1988 to 2009. Currently, he is also a chief executive officer of Aymoré Crédito, Financiamento e Investimento S.A., and Webmotors S.A., officer of institutional relations and member of the board of directors of Companhia de Arrendamento Mercantil RCI Brasil and Companhia de Crédito, Financiamento e Investimento RCI Brasil, officer and member of the board of directors of Santander Leasing S.A. Arrendamento Mercantil and executive officer of Santander Administradora de Consórcio Ltda., Santander Brasil Administradora de Consórcio Ltda. and Banco Bandepe S.A..

Marco Antonio Martins de Araújo Filho. Mr. Araújo is Brazilian and was born on June 19, 1965. He holds a law degree from Universidade de Brasília and an LLM in international business and trade law from Fordham University in New York. He is admitted to practice law in Brazil (since 1988) and in the State of New York (since 1993). Mr. Araújo has more than 20 years of legal experience. As one of our executive vice-presidents, he is in charge of our corporate affairs department, which includes the legal, compliance, and sustainable development department. He was a partner of Araújo & Castro Advogados in 1988, a parliamentary advisor from 1989 to 1991 and a senior lawyer for Banco Itaú BBA S.A. from 1994 to 2003. He joined ABN AMRO in 2003, and was ABN AMRO's Latin America General Counsel and an executive officer of Banco Real, covering eight countries in Latin

America, including Brazil. He is also member of the board of directors of Mantiq Investimentos Ltda., and executive officer of Banco Bandepe S.A. and Aymoré Crédito, Financiamento e Investimentos S.A.

Oscar Rodriguez Herrero. Mr. Rodriguez is Spanish and was born on October 4, 1971. He holds a bachelor's degree in business administration from the Colégio Universitário de Estúdios Financieros in Madrid, Spain and an MBA from Northwestern University's Kellogg School of Management in Chicago, Illinois. As one of our executive vice-presidents, he is the head of our risk management area. Mr. Rodriguez has been engaged in the financial markets for 16 years. He served as an analyst of credit risk of Santander Investment in Spain from 1994 to 1998. He was a consultant at McKinsey & Co in the United States and Spain from 2000 to 2004. Mr. Rodriguez also served as credit risk officer of the wholesale banking and corporate areas of Santander Brasil from 2004 to 2006. Currently, he is an executive officer of Banco Bandepe S.A. and officer of Santander Participações S.A. and Santander Brasil Advisory Services S.A. He is also member of the board of directors of Companhia de Arrendamento Mercantil RCI Brasil, Companhia de Crédito, Financiamento e Investimento RCI Brasil, and Mantiq Investimentos Ltda.

Pedro Carlos Araújo Coutinho. Mr. Coutinho is Brazilian and was born on April 2, 1966. He holds a degree in business administration from the Instituto Superior de Ciências, Letras e Artes de Três Corações - INCOR - MG, a postgraduate degree in financial administration from Fundação Dom Cabral and an MBA with a focus on marketing from Instituto de Ensino e Pesquisa - INSPER. As one of our executive vice-presidents, he is responsible for the points of sale of Santander Brasil. Mr. Coutinho has been engaged in the financial market for 26 years. He was responsible for the small and middle companies segment at Banco Nacional S.A. from 1983 to 1995, was a retail manager of Unibanco S.A. from 1995 to 1997 and has been an Executive Vice President of Banco Santander since 1997.

Pedro Paulo Longuini. Mr. Longuini is Brazilian and was born on June 7, 1957. He holds a degree in mechanical engineering from the Instituto Tecnológico de Aeronáutica. Mr. Longuini has been engaged in the financial markets for 26 years. He was a vice-president of Citibank S.A. from 1985 through 1996. Mr. Longuini joined Banco Real in 1996 as controller and in 1999 he became the executive officer of operations and financial control. Mr. Longuini was vice-president of Banco Real from 2003 to 2009. As vice president executive officer of the company, he was responsible for corporate affairs, including the legal department and compliance. In 2011 he became responsible for the corporate project for liquidity control of Santander Spain. He will be responsible for quality and efficiency in Santander Brasil.

José Roberto Machado Filho. Mr. Machado is Brazilian and was born on August 25, 1968. He holds a degree in electrical engineering from the Faculdade de Engenharia Industrial (FEI) in São Paulo and has a master's degree in business, economics and finance from the Universidade de São Paulo. As one of our executive officers, he is responsible for real estate finance and mortgage credit. Mr. Machado has been engaged in the treasury business for 18 years. He was an engineer for Keumkang Limited from 1990 through 1991, a foreign exchange manager from 1992 through 1995 and a manager of emerging markets trading desk from 1992 through 1996 of Banco CCF Brasil S.A. He was also an executive officer of Banco Rabobank Internacional Brasil S.A. from 1998 through 2003 and was an executive officer of Banco Real from 2003 to 2009. Currently, he is an executive officer of Banco Bandepe S.A., Webmotors S.A. and CRV - Distribuidora de Títulos e Valores Mobiliários. He is also the vice-president of the ABECIP and a member of the board of directors of Companhia Brasileira de Securitização - Cibrasec.

Luciane Ribeiro. Ms. Ribeiro is Brazilian and was born on June 7, 1963. She holds a degree in economics from Fundação Armando Alvares Penteado. As one of our executive officers, she is currently responsible for Santander Brasil´s Asset Management operations. Ms. Ribeiro has been engaged in the financial markets for 29 years. She started at BankBoston in 1983. In 1985, she moved to Banco Safra where she spent more than 20 years as wealth manager of shareholder assets and in 2002 was elected Executive Director for the Asset Management Unit. In 2006, Ms. Ribeiro became CEO for Latin America of ABN AMRO Asset Management. Ms. Ribeiro was chosen to assume the position of CEO of Santander Brasil Asset Management DTVM S.A. in 2008, where she was responsible for the integration of asset management units of Banco Real and Santander Brasil. Ms. Ribeiro also coordinates ANBIMA's Data Base Commission and Investment Funds Commission and is the president of the Ethical Fund Board.

Maria Luiza de Oliveira Pinto e Paiva. Ms. Paiva is Brazilian and was born on July 14, 1963. She holds a degree in psychology from the Pontifícia Universidade Católica in São Paulo and a degree in human resources from the University of Michigan. As one of our executive officers, she is responsible for the creation of our sustainable development area and the implementation of the sustainability concept throughout the organization. Ms. Paiva has been engaged in the sustainability area for more than eight years. She is the vice-chairman of Integrare's Advisory Council since November 2010 and a member of the Carbon Disclosure Project (CDP) - South America's Technical Advisory Council since December 2010. She was the human resources manager for Banco Nacional S.A. from 1981 to 1994 and for Banco Real in the Regional Office for Latin America and the Caribbean and head of the Global Human Resources Department in the Commercial and Consumer clients business in ABN AMRO Bank, NV.

José Alberto Zamorano Hernandez. Mr. Zamorano is Spanish and was born on May 9, 1962. He received a degree in business studies from the Universidad Complutense de Madrid. Mr. Zamorano has worked in the audit area for 15 years. Mr. Zamorano began his career at Santander Spain as manager of the internal audit area from 1995 to 2002, where he was responsible for the credit risk audit in regional units of Galícia, Alicante and Castilla La Mancha. From 2002 to 2005, Mr. Zamorano was superintendent of internal audit of Santander Brasil and executive officer of internal audit in Grupo Financeiro Santander México. As one of our officers, Mr. Zamorano is responsible for our internal audit area.

Amancio Acúrcio Gouveia. Mr. Gouveia is Brazilian and was born on March 31, 1963. He holds a degree in accounting from the Universidade Santa Úrsula. As one of our officers, he is responsible for financial transactions. Mr. Gouveia has been engaged in the area of accounting for financial institutions for 24 years. He was an audit manager for KPMG until 1991, accounting manager of Unibanco - União de Bancos Brasileiros S.A. from 1991 to 1999, supervisory manager of BankBoston Banco Múltiplo S.A. from 1999 to 2001 and has been an accounting controlling manager of the Santander Group since 2001. Currently, he is also an officer of Santander Leasing S.A. Arrendamento Mercantil, an executive officer of Santander Administradora de Consórcios Ltda., Santander Brasil Seguros S.A., Santander Capitalização S.A., Aymoré Crédito, Financiamento e Investimento S.A., Banco Bandepe S.A. and administrator of Santander Brasil Administradora de Consórcio Ltda. He is also member of the Fiscal Council of Companhia Energética de São Paulo.

André Fernandes Berenguer. Mr. Berenguer is Brazilian and was born on January 13, 1968. He holds a degree in business administration from the Escola de Administração de Empresas de São Paulo of the Fundação Getúlio Vargas. As our officer, he is responsible for corporate and investment banking. Mr. Berenguer has been engaged in the financial markets for over 21 years. He was the treasurer of Companhia Brasileira de Projetos e Obras CBPO - Grupo Odebrecht from 1988 through 1992, financial manager of Tenenge S.A. - Grupo Odebrecht from 1993 through 1996, relationship manager of Banco BBA Creditanstalt S.A. from 1996 through 2000, senior manager of BBA Securities Corp., NY from 2000 through 2001, Officer of ING Wholesale Bank and has been at Santander Brasil since 2007. He is the brother of José de Menezes Berenguer Neto, one of our directors.

Antonio Pardo de Santayana Montes. Mr. Pardo de Santayana is Spanish and was born on November 5, 1971. He holds a degree in economics and a law degree from the Universidade Pontifícia Comillas in Icade. As one of our officers, he is responsible for risk approval in GB&M and Corporate clients. Mr. Pardo de Santayana has been engaged in the finance area for 16 years. He was a consultant at PricewaterhouseCoopers from 1995 to 1998, senior risk analyst for Santander Central Hispano/Santander Investment from 1998 to 2000, senior manager of Monitor Company from 2000 to 2005 and returned to the Santander Group in 2005. Since then and until joining Santander Brasil in 2009, he worked in the Wholesale Risk Area as Deputy Head and was seconded to ABN AMRO in the de-merger process after its acquisition.

Cassio Schmitt. Mr. Schmitt is Brazilian and was born on April 23, 1971. He holds a degree in economics from the Universidade Federal do Rio Grande do Sul, a master's degree in corporate economics from the Fundação Getúlio Vargas in São Paulo and a master's degree in business administration from the Sloan School of Business, Massachusetts Institute of Technology (MIT). He has been engaged in the financial markets for over 17 years. He was treasury economist for Banco de Crédito Nacional S.A. from 1995 to 1996, and senior economist for UNIBANCO – União de Bancos Brasileiros S.A. from 1996 to 1999. He was member of the leveraged finance team of UBS Warburg in 2000, project finance superintendent of UNIBANCO from 2001 to 2003 and corporate banking superintendent of UNIBANCO Representative Office in New York from 2003 to 2004. He served as a member of the M&A/Project Finance team of Banco Santander in 2004, and became responsible for project finance in Brazil in 2005. In 2010, he was responsible for the areas of acquisition finance and syndicated lending. He is also a member of the board of directors of EBP – Estruturadora Brasileira de Projetos S.A. Today he is responsible for the risk management area for companies of *Modelo de Relação Global*. As one of our officers, he is responsible for the GB&M risk area.

Cassius Schymura. Mr. Schymura is Brazilian and was born on February 19, 1965. He holds a degree in electrical engineering from the Pontifícia Universidade Católica in Rio de Janeiro and an MBA from the Fundação Dom Cabral. As one of our officers, he is responsible for the acquirer and cards area. Mr. Schymura has been engaged in the financial products area for 21 years. He was the investment products manager for Banco Nacional S.A. from 1989 to 1991, products and marketing manager of Cardway Processamento from 1991 to 1994, products manager of Cartão Nacional from 1994 to 1996, marketing and products supervisory manager of Unicard Banco Múltiplo S.A. from 1996 to 1999, a senior associate at Booz Allen & Hamilton in 1999, a board member and the president officer of Idéiasnet S.A. from 2000 to 2001, the general manager of SOFTCORP from 2001 to 2004 and has been with the Santander Group since 2004. Currently, he is also chairman of the board of directors of Santander Getnet Serviços para Meios de Pagamento Sociedade Anônima.

Clovis Hideaki Ikeda. Mr. Ikeda is Brazilian and was born on September 23, 1963. He holds a degree in business administration from the Universidade de São Paulo. As one of our officers, Mr. Ikeda is responsible for global transaction banking. Mr. Ikeda has been engaged in investment banking for 23 years. From January 1989 to October 1992, he served as the corporate relationship manager of Citibank S.A., and was in charge of the origination and structuring of commercial and investment banking operations. From October 1992 to April 1993, he also served as the corporate relationship manager of Banco Norchem S.A. From April 1993 to February 1996, he served as corporate finance manager of Banco ING Barings and joined Santander Brasil in March 1996, serving as manager for corporate client relationships, executive manager for corporate client relationships, executive manager for Brazilian trade finance and managing director of Brazilian global transaction banking.

Ede Ilson Viani. Mr. Viani is Brazilian and has Italian citizenship. He was born on September 5, 1967 and holds a degree in accounting and an MBA from the Instituto de Ensino e Pesquisa - INSPER. Mr. Viani has been engaged in the financial markets for 27 years. He was an auditor of Banco Itaú S.A. from 1986 to 1990, and he started as a senior auditor of BankBoston S.A. He worked for 17 years at BankBoston acting subsequently as Credit Risk Officer for medium, corporate and large corporate companies, Managing Director for Lending Products and Managing Director for SME Business Banking. He joined Santander Brasil in 2007 as Director for Small Business Banking and has been responsible for Retail Banking Risk Management since July 2010.

Eduardo Müller Borges. Mr. Borges is Brazilian and was born on September 12, 1967. He holds a degree in business administration from the Pontifícia Universidade Católica. As one of our officers, he is responsible for the Credit Markets area within the Global Banking and Markets division of Santander Brasil. Mr. Borges has been engaged in the local and international financial markets for 19 years. He was an international trade manager and then an international capital markets senior manager of the First National Bank of Boston, São Paulo from 1993 to 1996, vice-president in emerging markets syndicated loans of BancBoston Robertson Stephens Inc. in Boston, Massachusetts from 1996 to 1999, an officer of BankBoston Banco Múltiplo S.A. from 1999 to 2000, capital markets vice-president of Banco JP Morgan S.A. from 2000 to 2002, capital markets vice-president of Santander Brasil from 2002 to 2004, an officer of ING Bank N.V. São Paulo from 2004 to 2005 and has been working at Santander Brasil again since 2005. Currently he is also an executive officer of REB Empreendimentos e Administradora de Bens S.A.

Flávio Tavares Valadão. Mr. Valadão is Brazilian and was born on July 1, 1963. He holds a degree in electrical engineering from the Escola de Engenharia Mauá, an accounting and finance degree from the Instituto Brasileiro de Mercado de Capitais and a master's in electrical engineering from the University of Lille in France. As one of our officers, he is responsible for the corporate finance area. Mr. Valadão has been engaged in the banking business for 21 years. He was a corporate finance officer for Banco Paribas from 1990 to 1998 and in 1998 joined Banco Real.

Gilberto Duarte de Abreu Filho. Mr. Abreu is Brazilian and was born on August 7, 1973. He holds a degree in industrial engineering from the Universidade de São Paulo and an MBA from the Massachusetts Institute of Technology in Cambridge, Massachusetts. As one of our officers, he is responsible for our insurance operations. Currently, he is also a superintendent officer of Santander Brasil Seguros S.A. and Santander Capitalização S.A.; and chief executive officer of Santander Seguros S.A. Before joining Santander Brasil, Mr. Abreu was a senior manager at McKinsey & Company, conducting projects in both the financial and retail areas.

Gilson Finkelsztain. Mr. Finkelsztain is Brazilian, and holds a bachelor's degree in civil engineering from the Catholic University of Rio de Janeiro and an Advanced Management Programme degree from INSEAD (*Institut Européen d'Administration des Affaires*). He has 17 years of experience in finance. Mr. Finkelsztain worked for Bank of America Merrill Lynch from 2010 to 2011, as director of sales for investment banking. Between 2007 and 2010 he worked at JP Morgan Chase, where he was responsible for derivatives, and also held the positions of chief executive officer and statutory director. He also worked at Citigroup from 1995 to 2007, in São Paulo, Mexico and New York, where he held several positions, including assistant vice president, deputy superintendent, chief executive and director covering the activities of a trader, structuring transactions, corporate sales and treasury. As one of our officers, he is responsible for rates.

Jamil Habibe Hannouche. Mr. Hannouche is Brazilian and was born on June 23, 1960. He holds a degree in mechanical engineering from the Universidade Mogi das Cruzes - UMC, a specialization degree in finance and a master's degree in business administration from Instituto de Ensino e Pesquisa - INSPER. As one of our officers, he is responsible for the universities area. Mr. Hannouche has been engaged in the financial markets for 26 years. He was a sales officer at Banco Nacional S.A. from 1983 to 1995, retail officer of Unibanco - União de Bancos Brasileiros S.A. from 1997 to 2000 and has worked in the universities sector of Santander Brasil since 2007.

Luis Alberto Citon. Mr. Citon is Argentine and was born on May 17, 1963. He graduated with a degree in business administration from the Universidad de Buenos Aires, Argentina and holds a master's degree in Finance from the Universidad del Centro de Estudios Macroeconómicos de Argentina. As one of our officers in the area of Control and Risk Methodology, he is responsible for control of market risks and structural risks (interest, liquidity, sovereign and cross border). He has been working in the financial markets for 27 years, with experience in the Argentine and Brazilian markets. He joined Banco Rio (Argentina) in 1984, where he served as operator of the Money Market Desk and the Financial Planning area. He created the Market Risks area and participated in the integration with Santander Brasil in 1997. In 2002, he was transferred to Brazil to be in charge of Market and Counterparty Risks. Subsequently, he incorporated the areas of Methodology (market and credit), Risk Systems and Economic Results. In 2008, he participated in the integration of the functions and systems with Banco Real.

Luis Carlos Guimarães de Carvalho Morais. Mr. Morais is Portuguese and was born on June 7, 1966. As one of our officers, he is in charge of the supply area. Mr. Morais has been engaged in the patrimony and sourcing areas for 23 years. From July 1989 to April 1997 he was responsible for the patrimony division of Banco de Comércio e Indústria, S.A. Mr. Morais joined Santander Brasil in April 1997, and until October 1994 was in charge of the sourcing area of Santander Totta. He served as officer of the sourcing, transporting and communication areas until October 2008, when he became officer of the management expenditures area.

Luiz Carlos da Silva Cantidio Jr. Mr. da Silva is Brazilian and was born on July 11, 1958. He holds a bachelor's degree in Business Administration from CCNY - City College of New York - Baruch College. He joined the Santander Group in 1997 as an officer of the international area. By mid-1999, he became vice-president, responsible for the commercial area of wholesale banking, and in recent years, for corporate & investment banking. Since January 2009, he has been responsible for the equity investments area. At Santander Brasil he has held statutory positions in the following companies: Banco Santander Brasil S.A., Banco Santander S.A., Banco Santander Noroeste S.A., Banco do Estado de São Paulo S.A. - Banespa, Bozano, Simonsen S.A. Distribuidora de Títulos e Valores Mobiliários, Isban Brasil S.A., Agropecuária Tapirapé S.A., Norchem Leasing S.A. - Arrendamento Mercantil, Produban Serviços de Informática S.A., Santander Administradora de Consórcios Ltda., Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda., Santander Banespa Companhia de Arrendamento Mercantil, Santander Banespa S.A. Arrendamento Mercantil, Santander Brasil Arrendamento Mercantil S.A., Santander S.A. Corretora de Câmbio e Valores Mobiliários, Santander S.A. Serviços Técnicos, Administrativos e de Corretagem de Seguros, Santander Brasil Seguros S.A., Santander Capitalização S.A., Santander Investimentos em Participações S.A., Santander Seguros S.A., and Santander Brasil as a member of the board of directors from August 31, 2006 to November 26, 2009. From 1995 to 1997 he served as an officer at Banco Chase Manhattan S.A. From 1993 to 1995, he held the position of officer at Banco Norchem S.A., responsible for the international area. From 1988 to 1993 he served as a chief financial officer at Confab Industrial S.A. From 1984 to 1988 he worked at Citibank, N.A., as a manager responsible for structured business. He also serves as a member of the board of directors at Enesa Participações S.A. and Green Nirvana Comércio de Produtos Ecológicos e Sustentáveis S.A.

Luiz Felipe Taunay Ferreira. Mr. Ferreira is Brazilian and was born on March 18, 1967. He holds a degree in business administration from the Fundação Getúlio Vargas, a degree in economics from the Universidade de São Paulo and a master's degree in economics from the Universidade de São Paulo. Mr. Ferreira is also a CFA charter holder. As one of our officers, he works in the investors' relations department. Mr. Ferreira has been engaged in the financial markets for 16 years. He was a trader for Banco ING Brasil from 1994 to 1996 and head of equity derivatives market risk management at ING Barings, London from 1996 to 1998. He joined Banco Real in 1998 and has been with the Santander Group ever since. Currently, he is an executive officer of Aymoré Crédito, Financiamento e Investimento S.A. and Banco Bandepe S.A.; and an officer of Santander Leasing S.A. Arrendamento Mercantil.

Mara Regina Lima Alves Garcia. Ms. Garcia is Brazilian and holds a bachelor's degree in Law from the Faculdades Metropolitanas – FMU, a postgraduate degree in Financial Law from the IBMEC - Instituto Brasileiro de Mercado de Capitais, and a master's degree in International Economic Law from the Pontifícia Universidade Católica de São Paulo – PUC. She has been engaged in the legal financial area for over 21 years. She was legal manager of Banco Inter-Atlântico S.A. from 1996 to 2000 and a senior lawyer of Banco Itaú BBA S.A. from 2000 to 2006. She joined Banco Santander S.A. in 2006 as executive superintendent of the legal wholesale area. As one of our officers, she is responsible for the legal consulting area and serves the wholesale and retail areas; member of the legal committee of FEBRABAN and ABBI.

Marcelo Audi. Mr. Audi is Brazilian and was born on January 18, 1967. He holds a degree in business administration from the Fundação Getúlio Vargas in São Paulo. From 1990 to 1997, he was engaged in the investment banking area of Banco Patrimônio (financial institution affiliated to North American investment bank, the former Salomon Brothers), apart from being responsible for the creation of equity research area and becoming partner of the bank. He served in the equity research area of Merrill Lynch Bank in Brazil between 1997 and 2002 and, from 2003 to 2006, he was a parter of Quadrante Investimentos, a local investment advisory service company. Mr. Audi joined Santander Brasil in 2007, and he is currently responsible for the equity research area and equity share strategy in Brazil.

Marcelo Malanga. Mr. Malanga is Brazilian and was born on May 18, 1969. He holds a bachelor's degree in Business Administration from the Universidade Bandeirantes de São Paulo, and a master's degree in Finance and Accounting from the Pontifícia Universidade Católica - PUC SP. As one of our officers, he is currently responsible for corporate retail business. He has been working in the financial markets for 24 years. He served as the Division Manager of Banco do Brasil S.A. from 1987 to 2001. Mr. Malanga worked for the government of São Paulo from 1995 to 1998, and from 1998 to 2001 he was responsible for strategy in the business of Governments in Brasilia, acting as manager of PROEX. When he joined Santander Brasil in 2001, he was responsible for creating the business relationship with the state and local government until 2004. From 2006 to 2009, he served as a superintendent responsible for the management and administration of all the branches of Santander in the State of Rio de Janeiro.

Marcelo Zerbinatti. He is Brazilian, born on February 5, 1974. He holds a degree in Business Administration from FMU - SP, a post-graduate degree in Negotiation from Fundação Getúlio Vargas and holds a master's degree in Planning from PUC - SP. He worked at Banco Bradesco S.A. from 1988 to 1992 as Head of Service, at Bank of Boston from 1992 to 1994 as Coordinator of Foreign Exchange, at Banco Real from 1994 to 2006 as Project Superintendent and since 2006 has served as our Senior Organization Executive Superintendent responsible for Process and Management of Changes. As one of our officers, he is responsible for organization, technology and process.

Marcio Aurelio de Nobrega. Mr. Nobrega is Brazilian and was born on August 23, 1967. He holds a degree in business administration and economics from the Faculdade Santana. As one of our officers, he is responsible for the operations and services area. Mr. Nobrega has been engaged in the bank business for 26 years. He joined Banco Real in 1982 and has worked for Santander Brasil ever since.

Marco André Ferreira da Silva. Mr. Ferreira is Brazilian and was born on December 3, 1965. He holds a bachelor's degree in Psychology from the Organização Santamarense de Ensino de São Paulo, holds an MBA from the School of Economics and Business Administration at Universidade de São Paulo - USP, a master's degree in Business Administration from the Pontifícia Universidade Católica de São Paulo and is pursuing a doctorate degree in Business Administration from the Instituto Presbiteriano Mackenzie São Paulo. As an officer, he is responsible for managing the areas of Education and Organizational Development of Santander Brasil. He has been working in the financial markets for 21 years. He served as a Senior Superintendent of Human Resources of Banco Real, which he joined in 1991 as Senior Consultant of Human Resources with professional experience in São Paulo, Chicago and Amsterdam, serving the areas of Education and Leadership Development.

Marcos Adriano Ferreira Zoni. Mr. Zoni is Brazilian and was born on December 10, 1964. He holds a degree in public administration from the Unisul - Universidade do Sul de Santa Catarina and business administration from the Universidade Federal Fluminense. He also holds an international MBA (AMP) from IESE (Navarra University). As one of our officers, he is responsible for clients and quality area. Mr. Zoni has been engaged in the financial markets for 25 years. He was an intern, analyst and financial manager at Banco Nacional S.A. from 1987 to 1995, Chief Financial Officer of the technology area at Unibanco - União de Bancos Brasileiros S.A. from 1995 to 1997 and Cost and Financial Manager at ABN AMRO from 1997 to 2008.

Maria Eugênia Andrade Lopez Santos. Ms. Santos is Brazilian and Spanish and was born on January 23, 1966. She holds a degree in economics from the Universidade da Bahia and a postgraduate degree from Fundação Getúlio Vargas. As one of our officers, she is responsible for private banking. Ms. Santos has been engaged in the corporate area for 19 years. She is also an executive officer of Santander Advisory Services S.A.

Mauro Siequeroli. Mr. Siequeroli is Brazilian and was born on March 24, 1957. He holds a degree in business administration from Fundação Getúlio Vargas and a postgraduate degree in industrial resources and general administration also from Fundação Getúlio Vargas. As one of our officers, he is responsible for the corporate resources area. Mr. Siequeroli has been engaged in the back office for 20 years. He was an operations officer for Banco Crefisul S.A. from 1985 through 1994, a products officer for Banco BMC from 1995 to 1998, the operations officer for Banco Bandeirantes S.A. from 1999 to 2000 and joined Santander Brasil in 2001. Currently, he is also an executive officer of Santander S.A. - Serviços Técnicos, Administrativos e de Corretagem de Seguros.

Miguel Angel Albero Ocerin. Mr. Albero is Spanish and was born on February 23, 1960. He graduated in Economics Sciences and Business Administration and holds a master's degree in Financial Markets from Centro Internacional Carlos V (UAM). During his career he has developed management activities in the management of financial resources and human capital in sectors of financial intermediation, asset management, product structuring, business development, development of financial markets and customer relationships. Most of his professional activity has been developed at Grupo CM Capítal Markets (ABN AMRO Group), where he held different executive positions in the companies of the group. He has been part of Santander Group since 2007, responsible for the area of Capital Structuring (GB&M), which includes the promotion of renewable energy projects, energy efficiency and carbon financing. As one of our officers he is currently responsible for the equity treasury and equity derivatives area, as well as the brokerage area.

Nilo Sérgio Silveira Carvalho. Mr. Carvalho is Brazilian and was born on February 26, 1961. He holds a degree in business administration from the UniSantos - Universidade Católica de Santos and an MBA from Fundação Getúlio Vargas and Moroco Associados. As one of our officers, he is responsible for the retail individual customer area. Mr. Carvalho has been engaged in the financial markets for 26 years. He was a products officer for Unibanco - União de Bancos Brasileiros S.A. from 1994 to 1998, retail and technology officer for Santander Brasil from 1998 to 2004, executive officer of Medial Saúde S.A. from 2004 to 2008 and our retail officer since 2008. Currently, he is also an executive officer of Santander Administradora de Consórcios Ltda., Santander Brasil Seguros S.A., and Santander Capitalização S.A., and officer of Santander Brasil Administradora de Consórcio S.A.

Paulo de Tarso Marques Rosa. Mr. Paulo de Tarso is Brazilian and was born on September 16, 1972. He holds a degree in Statistics from the Universidade de São Paulo, a Master's degree in Statistics from the Universidade de São Paulo, an MBA from Adolfo Ibañez School of Management (EUA), and a degree from Deusto Business School (Spain). As executive officer he is responsible for the credibility area. He has been engaged in the financial markets for 14 years. He served as credit risk manager of Banco Itaú from 1997 to 2000. From 2000 to 2005 he was retail credit risk superintendent of Banco Real. He also served as executive superintendent in relationship marketing of Banco Real from 2005 to 2008 and as individuals' credibility executive superintendent in Santander Brasil from 2008 to 2011.

Ramón Sanchez Díez. Mr. Díez is Spanish and was born on October 29, 1968. He holds a degree in economics from the Universidad Autónoma de Madrid. As one of our officers, he is responsible for our relationship channels.

He served as a financial analyst for Banco Santander's New York branch from 1992 to 1997 and as an officer for strategy and analysis for Latin American banks at Santander Brasil from 1997 to 2003. He was an officer for strategy and investor relations for Santander Brasil from 2004 to 2006.

Reginaldo Antonio Ribeiro. Mr. Ribeiro is Brazilian and was born on May 19, 1969. He holds a degree in economics from the Universidade Estadual de Campinas, an accounting degree from the Universidade Paulista and an MBA from the FIPECAFI (Fundação Instituto de Pesquisas Contábeis, Atuariais e Financeiras), Universidade de São Paulo. As one of our officers, he is responsible for tax issues, tax planning strategies and corporate restructuring processes. Mr. Ribeiro has been engaged in the tax area for 22 years. He served as a manager for Arthur Andersen Consultoria Fiscal Financeira S/C Ltda. from 1990 to 2001. He was also a member of the fiscal counsel of Companhia Energética de São Paulo and AES TIETÊ from 2002 to 2006. He is an executive superintendent of Santander S.A. - Serviços Técnicos, Administrativos e de Corretagem de Seguros, chief executive officer of REB Empreendimentos e Administradora de Bens S,A., executive officer of Aquanima Brasil Ltda.; and officer of Santander Participações S.A., Santander Brasil Advisory Services S.A., and Norchem Participações e Consultoria S.A.

Roberto de Oliveira Campos Neto. Mr. Neto is Brazilian and was born on June 28, 1969. He holds a bachelor's degree in Economics and post graduate in Economics with specialization in Finance from the University of California, Los Angeles (UCLA) and holds a master's degree in Applied Mathematics from Caltech. He worked at Banco Bozano Simonsen from 1996 to 1999, where he served as Operator of Derivatives of Interest and Foreign Exchange (1996), Operator of External Debt (1997), Operator of the Area of Stock Exchanges (1998) and Head of Area of International Fixed Income (1999). From 2000 to 2003, he worked as Head of International Area and Fixed Income at Santander Brasil. In 2006, he served as Portfolio Manager of Claritas. He joined in 2004 to serve as Operator. Currently, he is responsible for the proprietary trading, local and international market making area.

Ronaldo Yassuyuki Morimoto. Mr. Morimoto is Brazilian and was born on May 5, 1977. He holds a bachelor degree in Economics from the School of Economics of the Universidade de São Paulo. He has been responsible for the area of ALM (Assets and Liabilities Management) / Financial Management and member of the administration of asset and liability committee (ALCO Local and Global Brazil) since 2006. He has been working in the financial markets for 13 years. He joined Santander Brasil in 2001, working in different areas such as Governments & Institutions, Products, Finance & Accounting, Basel II Project and Wholesale Financial Control. He began his career at Banco América do Sul in the area of credit risk in 1998, then worked at Citibank S.A. from 1998 to 2000 and AT&T Latin America from 2000 to 2001. He is currently a member of the Supervisory Committee of the FGC.

Sérgio Augusto Costantini. Mr. Costantini is Brazilian, and holds a bachelor's degree in electrical engineering from the School of Engineering at Maua, a master's degree in business administration and an MBA E-Business from Fundação Getúlio Vargas. He has 20 years of experience in finance. Mr. Costantini worked from 1992 to 1995 at Banco Itamarati in the corporate banking area. He also worked at BBVA Banco Excel Economico y Brazil in the corporate banking area and in capital markets between 1995 and 1999. He began his career at Banco Real in March 2003 as products superintendent and later as executive director in information technology until January 2009, after which he became COO of global transactional banking Santander Global Group, where he was responsible for information technology, operations, organization and processes area. As one of our officers, he is currently responsible for information technology and global operations and business.

Sérgio Gonçalves. Mr. Gonçalves is Brazilian and was born on August 7, 1956. He holds a degree in economics from Fundação Armando Álvares Penteado and a master's in executive business administration from the Universidade de São Paulo. As one of our officers, he is responsible for the government and institutions area. Mr. Gonçalves has been engaged in the Brazilian financial markets for 30 years. He was an officer of Banco Crefisul from 1987 to 1994 and product officer of Nossa Caixa from 1995 to 2000. He was also an officer of Banco do Estado de São Paulo S.A. - Banespa from 2001 to 2004.

Thomas Gregor Ilg. Mr. Thomas Gregor Ilg is Brazilian, and was born on September 12, 1968. He holds a bachelor's degree in agricultural engineering from the Universidade Estadual de Campinas - UNICAMP, and took a post-graduate course in business administration at the Fundação Getúlio Vargas (CEAG). He has been engaged in the financial markets for over 21 years, including 12 years with Banco Santander and 10 years with The First National Bank of Boston, where he first joined as trainee serving the Risks and Business areas. At Banco Santander he was responsible for the corporate business area, and then he assumed the area of treasury for corporate, business, and private customers. Currently he is responsible for the corporate risk area of Santander Brasil.

Ulisses Gomes Guimarães. Mr. Guimarães is Brazilian and was born on March 14, 1971. He holds a bachelor's degree in Mechanical Engineering in Aeronautics from the ITA - Aeronautical Institute of Technology and holds a master's degree (Executive MBA in Finance) from the IBMEC - Instituto Brasileiro de Mercado de Capitais - São Paulo. As one of our officers, he is responsible for compensation, MIS and budget. He has been working in the financial markets for 18 years. He worked at Citibank from 1994 to 1997 as a Risk Manager for the areas of Treasury and Trust. He joined ABN AMRO in 1997 and has been part of Santander Group since then. He has held the positions of coordinator of financial control, coordinator of GAP & liquidity, financial control manager, manager of support of the strategic decision Brazil area, executive superintendent of retail area, executive superintendent of the support to strategic decision Brazil area, executive superintendent of support to strategic decision in Latin America area, executive superintendent of support to management and project development of finance areas.

Wilson Luiz Matar. Mr. Matar is Brazilian and was born on November 28, 1958. He holds a degree in civil engineering from the Polytechnic School of USP and Business Administrator graduate and post-graduate degrees from the FEA - Faculdade de Economia e Administração - USP. He has 30 years of banking experience serving in large Brazilian banks (Itaú and Unibanco) and 12 years with the Santander Group. He worked at Santander Group for seven years in the controller area, responsible for management information and budget, and for five years he has been responsible for risks of solvency in the executive vice presidency of credit and market risks, where he is charged with control and monitoring our credit portfolios. As one of our officers, he is currently responsible for risk solvency.

Compensation

Compensation of Directors, Members of Audit Committee and Executive Officers

Our shareholders establish the maximum annual aggregate compensation of our directors and officers at the annual shareholders' meeting. Compensation of the members of our audit committee is established by our board of directors. Under Brazilian law, we are required to disclose the highest, lowest and average compensation of our directors, members of the audit committee and officers without indicating any individual name. However, members of the Brazilian Institute of Finance Executives (*Instituto Brasileiro de Executivos de Finanças – IBEF*), of which we are part, were granted an injunction on March 2, 2010 allowing us not to disclose this information.

Shareholders at the general shareholders meeting held on April 26, 2011 set the 2011 total annual compensation for our directors and executive officers at a total up to R$284 million, which included the value of stock and option compensation. The approved amount also includes amounts for pension reserves and pension plans. The meeting of the board of directors held on March 24, 2011 approved compensation for the audit committee in the amount of R$3.9 million for a twelve month period beginning March 24, 2011. Due to the increasing number of executives, according to market practices and individual performance in 2011, members of our board of directors and executive officers received a total of approximately R$238 million for their services. In 2011, members of our audit committee received a total of approximately R$2.6 million.

The compensation due to the members of our board of directors, executive officers and audit committee is paid monthly. In addition, the maximum aggregate compensation for the members of the board of directors and the executive officers includes amounts paid pursuant to our bonus program. The criteria for granting and paying bonus compensation vary according to the activities performed by the different areas and, therefore, payment of the bonus compensation may vary depending on the department and activities performed by each member. Our directors and officers may participate in the same pension plan that is available to all of our employees.

As approved by our board of directors at the meeting held on December 23, 2009, we indemnify our directors and executive officers and members of the Audit Committee from claims arising during the time they are our directors or officers, exclusively related to court or administrative costs and attorneys' fees, except in cases of bad faith, gross negligence, willful misconduct or mismanagement by our directors or executive officers. This indemnity was also granted to the members of the audit committee and the appointment and remuneration committee.

Compensation Plan Overview

The Company has three programs for long-term compensation: the Deferral Program, the Local Long-Term Incentive Program (SOP, PSP and SOP 2014) and the Global Long Term Incentive Program (PI09, PI10/PI11/PI12 /PI13 and Pl14).

Executive officers and executives in key positions are eligible to participate in these plans. Plans last three years, promoting a commitment to the long term results of the company. Members of the board of directors can participate in these plans only if they are executive officers.

In the Deferral Program we have two plans: one for each fiscal year 2010 and fiscal year 2011, in which statutory officers, officers in positions of management and other employees eligible for the program will receive part of the variable remuneration of the year in deferred time.

In the Local Long-Term Incentive Program, we have two Plans for different beneficiaries, the Stock Option Plan ("SOP") and the Performance Share Plan ("PSP"). The SOP is an option plan to purchase units of the Company for the top management, and the PSP is an incentive plan whose object is the payment of cash resources for executives from all areas of the Bank.

In the Global Program, we have six plans, three of which have already been executed. For each cycle, a maximum number of shares of Santander is determined in Spain according to the achievement of performance indicators set out in the plan regulation.

Deferral Program – Share-Based Compensation – 2010

At the Santander Spain ordinary general shareholders meeting held on June 11, 2010, Santander Spain's shareholders approved an executive compensation plan based on the share performance of the Santander Group companies, including Santander Brasil. This new policy, with the adjustments applicable to Santander Brasil was approved by our board of directors on February 2, 2011.

The plan's objectives are: (1) to align the compensation program with the principles of the Financial Stability Board ("FSB") agreed upon at the G20; (2) to align Santander Brasil's interests with those of the plan's participants (to achieve the sustainable and recurring growth and profitability of Santander Brasil's businesses and to recognize the participants' contributions); (3) to allow the retention of participants; and (4) to improve Santander Brasil's performance and protect the interests of shareholders via a long-term commitment.

The plan is intended to pay cash bonuses as variable compensation based on certain performance targets. The total amount of shares to which the cash compensation will be linked will be settled in three separate parcels, allocated equally among the three years following the base year of the compensation plan. The plan will not lead to a dilution of Santander Brasil's capital stock, as participants will not be shareholders of the Bank, nor will they be entitled to any other rights or privileges granted to such shareholders.

Deferral Program - Share-Based Compensation - 2011

On December 21, 2011, our board of directors approved a new executive and employee compensation plan based on the share performance of Santander Brazil. This new policy was approved at the extraordinary shareholders' meeting held on February 7, 2012. The plan's objectives are: (i) to align the compensation program with the principles of the FSB agreed upon at the G20; (ii) to align Santander Brasil's interests with those of the plan's participants (to achieve the sustainable and recurring growth and profitability of Santander Brasil's businesses and to recognize the participants' contributions); (iii) to allow the retention of participants; and (iv) to improve Santander Brasil's performance and protect the interests of shareholders via a long-term commitment.

The plan is part of the current regulatory environment applicable to the company, especially in light of CMN Resolution No. 3,921 of November 25, 2010 ("CMN Resolution No. 3,921/10"), pursuant to which financial institutions must comply with certain requirements for deferred payment of variable compensation to executives, taking into account the financial basis for sustainable long-term adjustments in future payments due to the risks assumed and fluctuations in cost of capital.

This plan is divided among three programs:

- *Supervised Collective*. This program is for members of our executive committee and other executives who manage significant risks for the Bank and are responsible for internal control. Unlike the plans described above, for which compensation is paid in cash based on the market performance of our shares, compensation under this plan is paid 50% in cash, indexed to 100% of the CDI, and 50% in shares.

- *Collective Unsupervised – Statutory Directors*. Eligible officers for this program include statutory officers that are not participants in the Supervised Collective program. Unlike the plans described above, for which compensation is paid in cash based on the market performance of our shares, compensation under this plan is paid 100% in units of the Company (trading symbol "SANB11").

- *Collective Unsupervised – Employees*. Individuals eligible for this program include manager employees and certain other employees of the organization that will be benefited by this compensation plan. Deferred compensation will be 100% in cash, indexed to 120% of the CDI.

On December 31, 2011, there were "*pro rata*" expenses of R$56 million regarding the provision for bonuses under this plan. In 2011, we recorded a gain under personnel expenses due to the fluctuation of the market value of the share plan in the amount of R$14 million.

Local Long-Term Incentive Program

Plans approved in 2010

Shareholders at the extraordinary shareholders' meeting held on February 3, 2010 approved the Share-Based Compensation Program - Units of Santander Brasil (Local Program), consisting of two independent plans:

Stock Option Plan for Share Deposit Certificates - Units (SOP): This is a three-year stock option plan by which new shares are issued. The objective is to retain executive officers' commitment to long-term results. The period for exercising the options is two years longer than the vesting period. The volume equivalent to one third of the units resulting from the exercise of options cannot be sold by the participant during a period of one year from the exercise date.

Pursuant to our Stock Option Plan for Share Deposit Certificates–Units (SOP), we issued options to certain directors and executive officers on February 3, 2010. The options that were issued have an option price of R$23.50 per unit, and may be exercised from June 30, 2012 to June 30, 2014. On December 31, 2011, there were outstanding options corresponding to a maximum of 12,663,338 units under this plan.

Long-Term Incentive Plan - Investment in Share Deposit Certificates - Units (PSP): This is a compensation plan based on shares and settled in cash, launched in three-year cycles. Its objective is to retain the executives' commitment to long-term results. A minimum amount, corresponding to 50% of the compensation settled in cash, must be used by the participant to acquire Units, which cannot be sold during a period of one year from the exercise date. There is no limit on the percentage of total compensation that may be included in this particular compensation plan. On December 31, 2011, there were 2,553,162 outstanding units under this plan.

Plan Approved in 2011 - Incentive Plan Long Term - SOP 2014

Shareholders, at the Extraordinary Shareholders' Meeting held on October 25, 2011, approved the grant of the Incentive Plan - Long-Term Investment in Certificates of Deposit Shares SOP 2014 to certain executive officers, managerial level employees and companies under its control.

This is a three year option plan, with an exercise period between June 30, 2014 and June 30, 2016. The number of units exercisable by the participants will be determined according to the result of certain targets based on company performance, including Total Shareholder Return ("TSR") and the amount of units that may be exercised may be reduced if the goals of reducing Return on Risk-Adjusted Capital ("RORAC") are not achieved based on a comparison between realized and budgeted performance in each year, as determined by the board of directors. Plan participants must remain with the company during the term of the plan to be eligible to exercise their options on their corresponding units.

The plan will be paid in units based on the difference between the closing price on the exercise date and the strike price established in the plan. The options issued under the plan have an option price of R$14.31 per unit. On December 31, 2011, there were outstanding options under the plan corresponding to a maximum of 14,450,000 units.

Fair Value and Performance Parameters of Plans

For the accounting of the local program's plans, simulations were performed by an independent consultant, using the Monte Carlo methodology, using the performance parameters used to calculate the shares to be granted. These parameters are associated with their respective probabilities of occurrence, which are updated at the close of each period.

TSR Ranking

	SOP Plan, PI12 – PSP Plan and PI13 – PSP[1]	SOP 2014[2]
	(% of Shares exercisable)	
1st	50%	100%
2nd	35%	75%
3rd	25%	50%
4th	0%	25%

(1) Associated with the TSR, the remaining 50% of the shares subject to exercise relate to the achievement of net income versus budgeted profit.
(2) The percentage of shares determined at the position of TSR is subject to a penalty according to the implementation of the RORAC.

For the measurement of fair value of options, we used the following assumptions:

Method of Assessment

	PI13 PSP[1] Binomial	PI12 PSP[1] Binomial
Volatility	57.37%	57.37%
Likelihood of Occurrence	37.58%	60.93%
Risk-Free Rate	10.50%	11.18%

(1) Associated with the TSR, the remaining 50% of the shares subject to exercise relate to the achievement of net income versus budgeted profit.

Method of Assessment

	SOP 2014 Black-Scholes	SOP Plan Binomial
Volatility	40.00%	57.37%
Dividend Rate	3.00%	5.43%
Period of "Vesting"	2 years	2,72 years
Moment "Medium" Exercise	5 years	3,72 years
Risk-Free Rate	10.50%	11.18%
Likelihood of Occurrence	53.43%	60.93%
Fair Value for Stock	R$5.81	R$7.19

The average share price of our units at December 31, 2011 and 2010 was R$14.96 and R$21.90, respectively.

As of December 31, 2011, there were *pro rata* daily expenses of R$13 million, with respect to the SOP plan and R$16 million with respect to the PSP plan. During the period, we recorded a gain under personnel expenses due to fluctuations in the market value of the PSP share plan in the amount of R$6 million on a consolidated basis.

Global Long-Term Incentive Program

Long-term incentive policy

The board of directors of Santander Spain, at a meeting held on March 26, 2008, approved the long-term incentive policy intended for the executives of Santander Spain and the Santander Group (except Banesto). This policy provides for compensation tied to the performance of the stock of Santander Spain, as established at the annual shareholders' meeting.

This multiannual incentive plan is payable in shares of Santander Spain. The beneficiaries of the plan are the executive officers and other members of senior management, together with any other Bank executives determined by the board of directors or, when delegated by it, the executive committee.

The plan involves three years cycles for the delivery shares to the beneficiaries, so that each cycle begins in a year and, from 2009, ends the next year. The goal is to establish a proper sequence between the end of the incentive program, linked to the previous I-06, and successive cycles of the plan. Thus, the first two cycles began in July 2007 with a duration of two years for the first cycle (PI09) and the other cycles having average duration of three years (PI10/PI11/PI12 / Pl13 and PI14).

For each cycle, a maximum number of shares is established for each beneficiary who remains in the Bank's employ for the duration of the plan. The targets, which, if met, will determine the number of shares to be delivered, are defined by comparing Santander Spain's performance with that of a benchmark group of financial institutions and are linked to two parameters, namely TSR and growth in earnings per share ("EPS").

The ultimate number of shares to be delivered will be determined in each of the cycles by the degree of achievement of the targets on the third anniversary of commencement of each cycle (with the exception of the first cycle, for which the second anniversary will be considered), and the shares will be delivered within a maximum period of seven months from the end of the cycle.

At the end of each cycle, the TSR and the EPS growth will be calculated for Santander Spain and each of the benchmark entities and the results will be ranked from first to last. Each of the two criteria (TSR and EPS growth) will be weighted at 50% in the calculation of the percentage of shares to be delivered, based on the following scale and in accordance with Santander Spain's relative position.

Santander Spain's Place in the TSR Ranking	Percentage of Maximum Shares to Be Delivered	Santander Spain's Place in the EPS Growth Ranking	Percentage of Maximum Shares to Be Delivered
1st to 5th	100%	1st to 5th	100%
6th	82%	6th	82%
7th	65.0%	7th	65.0%
8th	47.5%	8th	47.5%
9th	30.0%	9th	30.0%
10th and below	0%	10th and below	0%

Santander Spain makes certain adjustments to the ranking criteria and award criteria if any benchmark group entity is acquired by another company and its shares cease trading or it ceases to exist.

Any benchmark group entity that is acquired by another company, whose shares cease trading or that ceases to exist will be excluded from the benchmark group. In an event of this or any similar nature, the comparison with the benchmark group will be performed in such a way that, for each of the measures considered (TSR and EPS growth) the maximum percentage of shares will be delivered if Santander Spain ranks within the first quartile (including the 25th percentile) of the benchmark group; no shares will be delivered if Santander Spain ranks below the median (50th percentile); 30% of the maximum amount of shares will be delivered if Santander Spain is placed at the median (50th percentile). The linear interpolation method will be used for calculating the corresponding percentage for positions between the median and the first quartile (25th percentile) (neither included).

Beginning with plan Pl12, the number of actions to be awarded are related to only one performance parameter, TSR which is fully weighted in the percentage of shares to be distributed.

Fair Value

The fair value of the Performance Share Plans was calculated as follows:

- It was assumed that the beneficiaries will not terminate the employment with the bank during the term of each plan.
- The fair value of the 50% linked to Santander Spain's relative TSR position was calculated, on the grant date, on the basis of the report provided by external valuators whose assessment was carried out using a Monte Carlo valuation model, performing 10 thousand simulations to determine the TSR of each of the companies in the benchmark group, taking into account the variables set forth below. The results (each of which represents the delivery of a number of shares) are classified in decreasing order by calculating the weighted average and discounting the amount at the risk-free interest rate.

	PI10	PI11	PI12	PI13	PI14
Expected volatility [(1)]	15.67%	19.31%	42.36%	49.64%	51.35%
Annual dividend yield based on last few years	3.24%	3.47%	4.88%	6.33%	6.06%
Risk-free interest rate (Treasury Bond yield – zero coupon) over the period of the plan	4.50%	4.84%	2.04%	3.33%	4.07%

(1) Calculated on the basis of historical volatility over the corresponding period (two or three years)

The application of the simulation model results in percentage values of 42.7% for PI09, 42.3% for PI10, 44.9% for PI11 and 52.4% for PI12, which are applied to 50% of the value of the options granted, in order to determine the cost per books of the TSR-based portion of the incentive. Since this valuation refers to a market condition, it cannot be adjusted after the grant date.

In 2011, there were *pro rata* daily expenses of R$10.2 million for costs on the respective dates of the cycles of the global program. Expenses related to the plans are recognized against other liabilities – provision for share-based payments.

Contract termination

Employment contracts have an undefined period. The termination of the employment relationship for non-fulfillment of obligations or voluntarily does not entitle executives to any financial compensation.

Board Practices

Our shareholders elect members of our board of directors at the annual general shareholders meeting for two-year terms (members may be reelected). The board of directors appoints our officers for two-year terms, which can also be reelected.

Duties of the Board of Directors

In line with the fiduciary duties of directors and officers provided in Articles 153, 154, 155 and 245 of Brazilian corporate law, the members of the board of directors shall serve us and the companies of the Group with loyalty, keep our business confidential along with any information that has not been disclosed to the market to which they are privy due to their position, ensure that any subordinates and third parties maintain any such information confidential and enforce the provisions of our code of ethics.

In order to improve the performance of its duties, the board of directors may either create or elect working groups and/or committees with special purposes to act as advisory bodies without resolution powers. These working groups may be comprised of members appointed by our board of directors and/or any other persons directly or indirectly linked to us.

The primary responsibilities of our board of directors are:

Definition of policies and strategies. The board of directors plays a vital role in the definition of the organization's business strategies in Brazil. As set out in our by-laws and in applicable legislation, the main function of the board of directors is to provide guidance for our business and operations, which should be observed by the executive officers while conducting their activities. The board of directors is also responsible for the approval of policies for disclosing information to the market and trading with our securities.

Approval of financial statements and the allocation of net profit. As set out in our by-laws and in applicable legislation, the board of directors is responsible for the approval and review of the annual budget, the capital budget and the business plan; for issuing an opinion on the annual, six-monthly and quarterly financial statements, proposing the allocation of net profit from the financial year and determining the distribution of dividends and/or interest on equity.

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

Changes to the capital structure and the by-laws. The board of directors is responsible for proposing increases or reductions in our share capital, the issue of bonuses, subscription, grouping, share spin-off, the trading of shares to be removed or added to treasury and any changes to our by-laws.

Appointment of directors and compensation policies. The board of directors is responsible for appointing executive officers and determining their compensation, benefits and other incentives, subject to the global limit of compensation approved by the general shareholders' meeting, including the determination of profit sharing for our and our subsidiary companies' officers and employees. It is also the responsibility of the board of directors to approve the assignment of stock option to officers, employees or individuals that render services to us or to our subsidiaries, subject to the option plans approved in the general shareholders' meeting.

Audit committee and the ombudsman. The board of directors is responsible for nominating the members of the company's audit committee and Ombudsman.

Evaluation of the board of directors. In accordance with the code of regulations, the board of directors, its chairman and the committees should be evaluated on an annual basis. The members of the board of directors should also undergo self-evaluation, using criteria established by the board of directors. The composition of the board is evaluated on an annual basis to ensure that the capabilities of its members are complementary to one another.

On December 23, 2009, our board of directors approved its code of regulations. Shareholders may access such code on the websites www.santander.com.br/ri and www.santander.com.br/acionistas, section "Corporate Governance—Regulations of the Board of Directors".

Statutory Bodies

Audit Committee

According to Brazilian Central Bank regulations (Resolution No. 3198/2004 of the CMN), an audit committee is a statutory board, separate from the board of directors, created by a shareholders' resolution. Notwithstanding the requirement for separate bodies, the members of the audit committee may be members of the board of directors, provided that they meet certain independence requirements. All members of our audit committee meet such independence requirements. In addition, under Brazilian law, the function of hiring independent auditors is reserved for the board of directors. As a result, our board of directors functions as our audit committee for the purpose of approving, on a case-by-case basis, any engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or to us. Except in these respects, our audit committee performs the functions of audit committees of U.S. companies.

Pursuant to Brazilian Central Bank regulations, our shareholders established on August 31, 2006 the audit committee in our by-laws, which acts as the audit committee for all our affiliates and subsidiaries. Such an audit committee was installed by the board of directors at a meeting held on March 23, 2007.

Our by-laws require that our audit committee be composed of three to six members, each of whom is elected by the board of directors. Elected members of the audit committee need not be members of the board of directors but must meet all statutory and regulatory requirements for the exercise of their office, including any requirements to ensure their independent judgment. One of the members of the audit committee must have a demonstrable knowledge of accounting and audit practices. This individual shall serve for a one year term and may be reelected up to four consecutive times, pursuant to applicable legislation, up to a maximum five year term of office. One of the members of the audit committee shall be designated by our board of directors as the audit committee's coordinator.

The members of our audit committee may be replaced as follows: the coordinator may be replaced, in his occasional absences or impairments, by the member appointed by the audit committee or, if no such appointment is made, by the temporary replacement appointed by our board of directors from among the remaining members of the audit committee. A substitute member will serve on the audit committee until such a time as our board of directors elects a replacement member. On November 12, 2007, our board of directors approved the audit committee's code of regulation. On December 22, 2010, our board of directors approved an amendment of the audit committee's code of regulations, in order to update some operational matters.

Our audit committee has the following functions:

1. sets forth the operating rules for its operation;

2. advises the board of directors on the engagement or replacement of the external auditor;

3. assesses the quality of the accounting statements for the periods ended March 31, June 30, September 30, and December 31 each year, of the senior management reports, of the explanatory notes and of the independent auditor's report, as well as of other material financial information disclosed and sent to the regulatory bodies;

4. evaluates the effectiveness of the normative provisions applicable to us, in addition to internal regulation and codes;

5. evaluates the fulfillment by our management of the recommendations made by the external or internal auditors;

6. sets forth and disclose procedures to receive and treat information on the non-fulfillment of the legal and normative provisions applicable to us, in addition to internal codes and regulations, including provisions of specific procedures for the protection of the discloser and confidentiality of information;

7. advises the executive committee to correct or improve policies, practices and procedures related to their own assignments;

8. meets, at least on a quarterly basis, with the executive committee, the internal and external audits, in order to verify the implementation of the recommendations, including those regarding the planning of the respective audit works, and formalizing, by means of minutes, the contents of such meetings;

9. meets with the tax committee, if operating, and with the board of directors, upon their request, to address policies, practices and procedures identified in the scope of their work;

10. prepares, at the end of the six-month period ended on June 30 and December 31 every year, the report of the audit committee, meeting the applicable legal and regulatory provisions; and

11. receives and review the reports required by the regulatory bodies concerning the activities of the ombudsman office of Santander Brasil, on the base dates of June 30 and December 31 or when a material event is identified.

The current members of the audit committee, duly approved by the Brazilian Central Bank, are Sérgio Darcy da Silva Alves, Celso Clemente Giacometti and René Luiz Grande, who acts as a coordinator. On March 16, 2012, our board of directors approved the election of Sérgio Darcy da Silva Alves, Celso Clemente Giacometti and René Luiz Grande, current members of the audit committee, for a new term of office of one year as of March 16, 2012.

Set forth below are biographies of the members of our audit committee.

Celso Clemente Giacometti. See the board of directors' biographies.

René Luiz Grande. Mr. Grande is a Brazilian citizen, born on April 19, 1953. He holds a degree in Economics from the Pontificia Universidade Católica de São Paulo. He has been an employee of the Brazilian Central Bank, approved in public examination since June, 1975, and worked on the Supervision and Inspection Department of the National Financial System. While with the Brazilian Central Bank he served in various functions, including as officer responsible for standards and organization matters of the financial system from 1975 to 1978; technical assistant from 1978 to 1989; supervisor from 1989 to 1995; inspection supervisor from 1995 to 1999; head of the standards and technology department from 1999 to 2003, and deputy head of the standards department from 2003 to 2011. Before working with the Brazilian Central Bank, he occupied the position of head of staff with the Companhia Brasileira de Embalagens Metálicas BRASILATA from 1973 to 1975.

Sérgio Darcy da Silva Alves. Mr. Alves is a Brazilian citizen, born on May 5, 1945. He holds a degree in Economics from the Economics and Business Administration College of the Universidade Federal do Rio de Janeiro. He is an employee of the Brazilian Central Bank, approved in public examination. He took office in 1967, performing various functions, including officer responsible for standards and organization matters of the financial system from 1997 to 2006, head of the standard department of the financial system from 1991 to 1997, deputy head of the standard department of the financial system, being responsible for organizing the unit together with the Brazilian Central Bank's former President Gustavo Loyola, at that time head of department, from 1985 to 1991 and coordinator of the department of capital markets, in the division of authorizations of financial institutions until 1985.

Compensation and Appointment Committee

According to CMN Resolution No. 3921/2010 of November 25, 2010, a compensation and appointment committee shall be created on the first general meeting to be held after January 1, 2012 and the company's by-laws shall provide for the number of members, criteria for their appointment, destitution and compensation, term, and attributions. In order to comply with the Brazilian Central Bank regulations on February 7, 2012, our shareholders established the compensation and appointment committee in our by-laws, which also acts as the compensation and appointment committee for all our affiliates and subsidiaries.

The members of the compensation and appointment committee may be elected by the board of directors, provided that they meet certain independence requirements. All members of our compensation and appointment committee meet such independence requirements.

Our by-laws require that our compensation and appointment committee be composed of three to five members, appointed by the board of directors from among persons who meet all statutory and regulatory requirements for the exercise of their office. At least one of the members may not be an executive officer and the others may or may not be members of our board of directors, and at least two members shall be independent, pursuant to paragraph 3 of article 14, of these by-laws. The compensation and appointment committee shall have in its composition qualified members with the experience required for the judgment exercise, including any requirements to ensure their independent judgment about our internal compensation policy and including any repercussions of this internal compensation policy on risk management. Such persons shall serve for a term of two years and may be reelected for up to four consecutive times, pursuant to applicable legislation.

On February 29, 2012, our board of directors approved the amendment of the rules of procedures of the compensation and appointment committee, in order to comply with the CMN Resolution No.3,921.

Our compensation and appointment committee carries out the following functions:

1. sets internal committee policy and governing rules;

2. develops internal compensation policies applicable to our directors and makes proposals to our board of directors regarding policies for variable and fixed compensation, benefits, and special programs for recruiting and terminations;

3. supervises the implementation and operation of our internal director compensation policy;

4. annually reviews our internal director compensation policy and recommends changes to our board of directors;

5. recommends to the board of executive officer directors revisions to our internal compensation policy and related practices and procedures;

6. proposes to the board of directors the aggregate compensation of the directors to be submitted to the general meeting, pursuant to article 152 of Law No.6,404 of 1976;

7. analyzes possible internal and external factors that may impact our internal director compensation policy;

8. analyzes our internal officer compensation policy and procedures in comparison with market practice, and recommends changes to align our policies with market practice if significant differences from market practice are identified;

9. meets with our board of directors to discuss and identified responsibilities for our internal compensation policy, practices and procedures;

10. annually prepares, within ninety days as from December 31 of each year, the compensation and appointment committee report, in accordance with applicable statutory and regulatory provisions; and

11. ensures that the internal director compensation policy is compatible with our risk management rules, with performance targets and with our current and expected financial condition, and pursuant to the applicable regulatory provisions and regulations published by the Brazilian Central Bank.

On April 26, 2011, our board of directors approved the election of Celso Clemente Giacometti, Fernando Carneiro and Viviane Senna Lalli, current members of the compensation and appointment committee, for a new term of office of two years ending as of April 26, 2013. Mr. Fernando Carneiro resigned from the position of member of the compensation and appointment committee on March 1, 2012. The current members of the compensation and appointment committee are Celso Clemente Giacometti, who acts as Coordinator, Eduardo Nunes Gianini and Viviane Senna Lalli.

Set forth below are biographies of the members of our compensation and appointment committee.

Celso Clemente Giacometti. See the board of directors' biographies.

Eduardo Nunes Gianini. Mr. Gianini is Brazilian and holds a bachelor's degree in sociology and politics from Fundação Escola de Sociologia e Política de São Paulo (FESPSP). He has been engaged as executive and consultant in subjects related to human resources management for 32 years. He started his career at Serprofit Ltda., a company which provided outsourcing services between 1970 and 1979. From 1979 to 1990 he was human resources manager and total quality manager at Union Carbide do Brasil S.A. He was a partner officer at Hays do Brasil Consultores Ltda., where he worked from 1991 to 2009. Currently he is a partner officer of Gobbet & Gianini Consultores Ltda., with expertise in executive compensation and organizational development.

Viviane Senna Lalli. See the board of directors' biographies.

Fiscal Council

According to Brazilian corporate law, the adoption of a fiscal council is voluntary. Although our by-laws contemplate the possibility of a fiscal council, we currently do not have a fiscal council in place. A fiscal council may be adopted on a permanent or temporary basis. The fiscal council is an independent body elected by shareholders annually to supervise the activities of management and independent auditors. The responsibilities of the fiscal council are established by Brazilian corporate law and include oversight of management's compliance with laws and by-laws, the issuance of a report on the company's annual and quarterly reports, certain matters submitted for shareholders' approval, calling of shareholders' meetings in some cases and reporting on specific adverse matters arising at those meetings.

Share Ownership

The following table provides the names of our directors and executive officers who owned shares of Santander Brasil as of December 31, 2011.

Shareholder	Common Shares	Percentage of Outstanding Common Shares	Preferred Shares	Percentage of Outstanding Preferred Shares	Percentage of Total Share Capital
André Fernandes Berenguer	702,075	(1)	638,250	(1)	(1)
Angel Oscar Agallano	941,985	(1)	856,350	(1)	(1)
Cassio Schmitt	297,165	(1)	270,150	(1)	(1)
Celso Clemente Giacometti	1	(1)		(1)	(1)
Jamil Habibe Hannouche	187,220	(1)	170,200	(1)	(1)
João Guilherme de Andrade So Consiglio	234,025	(1)	212,750	(1)	(1)
José Antonio Alvarez Alvarez	1	(1)		(1)	(1)
José de Menezes Berenguer Neto	351,011	(1)	319,100	(1)	(1)
José de Paiva Ferreira	468,051	(1)	425,500	(1)	(1)
José Manuel Tejón Borrajo	1	(1)		(1)	(1)
José Roberto Machado Filho	702,075	(1)	638,250	(1)	(1)
José Roberto Mendonça de Barros	1	(1)		(1)	(1)
Lilian Maria Ferezim Guimarães	351,010	(1)	319,100	(1)	(1)
Luciane Ribeiro	702,076	(1)	638,251	(1)	(1)
Luis Alberto Citon	70,180	(1)	63,800	(1)	(1)
Luiz Carlos da Silva Cantidio Junior	7	(1)	8	(1)	(1)
Mara Regina Lima Alves Garcia	60,445	(1)	54,950	(1)	(1)
Marcelo Malanga	116,985	(1)	106,350	(1)	(1)
Marcelo Zerbinatti	244,420	(1)	222,200	(1)	(1)
Marcial Angel Portela Alvarez	1,556,501	(1)	1,415,000	(1)	(1)
Marcio Aurelio de Nobrega	46,805	(1)	42,550	(1)	(1)
Marco Antônio Martins de Araújo Filho	390,500	(1)	355,000	(1)	(1)
Marcos Adriano Ferreira Zoni	234,025	(1)	212,750	(1)	(1)
Marcos Matioli de Souza Vieira	207,434	(2)	181,157	(2)	(2)
Maria Luiza de Oliveira Pinto e Paiva	234,025	(1)	212,750	(1)	(1)
Mauro Siequeroli	23,375	(1)	21,250	(1)	(1)
Miguel Angel Albero Ocerin	275,000	(1)	250,000	(1)	(1)
Oscar Rodriguez Herrero	600,160	(1)	545,600	(1)	(1)
Pedro Carlos Araújo Coutinho	473,000	(1)	430,000	(1)	(1)
Reginaldo Antonio Ribeiro	234,025	(1)	212,750	(1)	(1)
Sérgio Gonçalves	702,075	(1)	638,250	(1)	(1)
Thomas Gregor Ilg	471,625	(1)	428,750	(1)	(1)
Ulisses Gomes Guimarães	52,690	(1)	47,900	(1)	(1)
Viviane Senna Lalli	1	(1)		(1)	(1)
Wilson Luiz Matar	65,725	(1)	59,750	(1)	(1)
Other Employees	200,431,370	(1)	183,469,564	(1)	(1)

(1) Owns less than 0.01%.
(2) No longer an officer.

Shares held by members of our board of directors and our executive officers do not have voting rights as opposed to shares held by our other shareholders.

Principal Differences between Brazilian and U.S. Corporate Governance Practices

We are subject to the NYSE corporate governance listing standards. As a foreign private issuer, the standards applicable to us are considerably different than the standards applied to U.S. listed companies. Under the NYSE rules, we are required only to: (1) have an audit committee or audit board, pursuant to an applicable exemption available to foreign private issuers, that meets certain requirements, as discussed below, (2) provide prompt certification by our chief executive officer of any material non-compliance with any applicable NYSE corporate governance rules, (3) submit an executed written affirmation annually to the NYSE and submit an interim written affirmation each time a change occurs to the board or any of the committees subject to Section 303A of the NYSE rules, and (4) provide a brief description of the significant differences between our corporate governance practices and the NYSE corporate governance practice required to be followed by U.S. listed companies. The discussion of the significant differences between our corporate governance practices and those required of U.S. listed companies follows below, as required for foreign private issuers by NYSE Rule 303A.11.

Majority of Independent Directors

The NYSE rules require that a majority of the board must consist of independent directors, although as a company the majority of whose voting shares are held by another group, we would not be required to comply with this rule. Independence is defined by various criteria, including the absence of a material relationship between the director and the listed company. Under the listing standards of Level 2 of BM&FBOVESPA, our board of directors must have at least five members, at least 20% of which must be independent, as determined pursuant to Article 14 of our by-laws. Also, Brazilian corporate law, the Brazilian Central Bank and the CVM have established rules that require directors to meet certain qualification requirements and that address the compensation and duties and responsibilities of, as well as the restrictions applicable to, a company's executive officers and directors. While we believe that these rules provide adequate assurances that our directors are independent and meet the requisite qualification requirements under Brazilian law, we believe such rules would permit us to have directors that would not otherwise pass the test for director independence established by the NYSE. Brazilian corporate law requires that our directors be elected by our shareholders at an annual shareholders' meeting. Currently, all of our directors are elected by our controlling shareholder.

Executive Sessions

NYSE rules require that the non-management directors meet at regularly scheduled executive sessions without management present. Brazilian corporate law does not have a similar provision. According to Brazilian corporate law, up to one-third of the members of the board of directors can be elected from management. Our president, Marcial Angel Portela Alvarez, is a member of our board of directors. There is no requirement that our non-management directors meet regularly without management. As a result, the non-management directors on our board do not typically meet in executive sessions.

Committees

NYSE rules require that listed companies have a nominating/corporate governance committee and a remuneration committee composed entirely of independent directors and governed by a written charter addressing the committee's required purpose and detailing its required responsibilities, although as a company the majority of whose voting shares are held by another group, we would not be required to comply with this rule. The responsibilities of the nominating/corporate governance committee include, among other things, identifying and selecting qualified board member nominees and developing a set of corporate governance principles applicable to the company. The responsibilities of the remuneration committee, in turn, include, among other things, reviewing corporate goals relevant to the chief executive officer's compensation, evaluating the chief executive officer's performance, approving the chief executive officer's compensation levels and recommending to the board non-chief executive officer compensation, incentive-compensation and equity-based plans.

CMN Resolution No. 3,921 from the Brazilian Central Bank requires us to have a compensation committee of at least three members. We have created the Compensation and Appointment Committee, an advisory body whose function is to advise our board of directors on matters in connection with (i) election of members for our board of directors, audit committee, and executive office, (ii) the succession plan, (iii) fixed and variable remuneration policies and benefits and (iv) the long-term incentive plan.

The compensation and appointment committee shall be composed of at least three (3) and at most five (5) members, it being understood that at least one of the members may not be director of the Company and the others may or may not be members of the Board of Directors of the Company, and at least two members shall be independent pursuant to the provision under art. 14, Paragraph 3 of our by-laws. The compensation of the appointment and remuneration committee's members is established by our board of directors.

Pursuant to Brazilian corporate law the aggregate compensation for our directors and executive officers is established by our shareholders.

Audit Committee and Audit Committee Additional Requirements

NYSE rules require that listed companies have an audit committee that (1) is composed of a minimum of three independent directors who are all financially literate, (2) meets the SEC rules regarding audit committees for listed companies, (3) has at least one member who has accounting or financial management expertise and (4) is governed by a written charter addressing the committee's required purpose and detailing its required responsibilities.

CMN Resolution No. 3,198 requires us to have an audit committee of at least three independent members. The audit committee is elected by the board of directors. In April 2003, the SEC stated that the listing of securities of foreign private issuers will be exempt from the audit committee requirements if the issuer meets certain requirements. Our audit committee, as established according to CMN Resolution No. 3,198, allows us to meet the requirements set forth by the SEC.

Shareholder Approval of Equity Compensation Plans

NYSE rules require that shareholders be given the opportunity to vote on all equity compensation plans and material revisions thereto, with limited exceptions. Under Brazilian corporate law, shareholders must approve all stock option plans. In addition, any issuance of new shares that exceeds our authorized share capital is subject to shareholder approval. Our shareholders do not have the opportunity to vote on all equity compensation plans.

Corporate Governance Guidelines

NYSE rules require that listed companies adopt and disclose corporate governance guidelines. We comply with the corporate governance guidelines under applicable Brazilian law. The corporate governance guidelines applicable to us under Brazilian law are consistent with the guidelines established by the NYSE.

Pursuant to better practices of corporate governance guidelines, on September 22, 2010, our board of directors approved a policy that regulates related-party transactions. This policy provides rules which aim to ensure that all decisions, in particular those involving related parties and other situations with potential conflict of interests, will be aligned with our interests and our shareholders. The policy applies to all employees and directors and executive officers of Santander Brasil.

Code of Business Conduct and Ethics

NYSE rules require that listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. Applicable Brazilian law does not have a similar requirement. We adopted a Code of Ethics on February 27, 2009 which regulates the conduct of our managers, officers and directors in connection with the disclosure and control of financial and accounting information and their access to privileged and non-public information. Our Code of Ethics complies with the requirements of the Sarbanes-Oxley Act and the NYSE rules.

Internal Audit Function

NYSE rules require that listed companies maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and system of internal control.

Our internal audit department works independently to conduct methodologically structured examinations, analysis, surveys and fact finding to evaluate the integrity, adequacy, effectiveness, efficiency and economy of the information systems processes and internal controls related to our risk management. The Internal Audit department reports continually to be audit committee. In carrying out its duties, the Internal Audit department has access to all documents, records, systems, locations and professionals involved with the activities under review.

Website

Codes are available to the public on our website in Portuguese and English, which do not form part of this information memorandum, at www.santander.com.br under the heading "Investor Relations – Corporate Governance".

PRINCIPAL STOCKHOLDERS

The Santander Group is the largest financial group in Spain. Through expansion and acquisitions in Chile, Mexico, Colombia, Argentina and Brazil, among other countries, the Santander Group has grown to become the largest bank in Latin America, measured by assets. As a result of its voting control over us, the Santander Group is in a position to cause the election of a majority of the members of our management and to determine substantially all matters to be decided by a vote of shareholders.

As of March 23, 2012, Santander Spain directly and indirectly through its subsidiaries, Grupo Empresarial Santander, S.L., Sterrebeeck B.V. and Santander Insurance Holding, S.L., owned approximately 75.6% of our total capital stock. The Santander Group has a strong influence on our strategies and operations. Our relationship with the Santander Group has provided us with access to the expertise of the Santander Group in areas such as technology, product innovation, human resources and internal audit control systems. In addition, the Santander Group requires us to follow its banking policies, procedures and standards, especially with respect to credit approval and risk management. Such policies and expertise have been successfully used by the Santander Group in the Spanish and other banking markets, and we believe that such policies and expertise have had and will continue to have a beneficial effect upon our operations.

The following table presents the beneficial ownership of our common and preferred shares as of December 31, 2011.

Principal Shareholders	Common Shares	Percentage of Outstanding Common Shares	Preferred Shares	Percentage of Outstanding Preferred Shares	Percentage of Total Share Capital
		(in thousands, except percentages)			
Grupo Empresarial Santander S.L.	72,876,994	34.24%	61,631,776	33.10%	33.71%
Sterrebeeck	99,527,083	46.76%	86,492,330	46.45%	46.62%
Santander Insurance Holding S.L.	206,664	0.10%	–	0.00%	0.05%
Banco Santander, S.A.	2,090,231	0.98%	1,900,210	1.02%	1.00%
Treasury Shares	391,254	0.18%	355,685	0.19%	0.19%
Employees[1]	211,427	0.10%	193,458	0.10%	0.10%
Minority Shareholders	37,538,079	17.64%	35,628,926	19.13%	18.34%
Total	**212,841,732**	**100.0%**	**186,202,385**	**100.0%**	**100.0%**

(1) Includes members of senior management. See "Management—E. Share Ownership".

All capital stock is paid up and the total number of ADSs held by US investors is 193,864,453, not including individuals and legal entities with portfolios of less than U.S.$100 million, to which we do not have access.

Significant Changes in Percentage Ownership of Principal Shareholders

As of January 31, 2006, Grupo Empresarial Santander owned 100% of the ordinary shares and 94.86% of the preferred shares of our then-predecessor company, Banco Santander Meridional S.A. As a result of the reorganization of our operations in Brazil in 2006, as of April 30, 2006, Grupo Empresarial Santander owned 99.25% of the common shares and 96.50% of the preferred shares (following adjustments for fractional shares resulting from the reorganization) of our then-predecessor company, Banco Santander Banespa S.A. As a result of the share exchange transaction (incorporação de ações) on August 29, 2008, Sterrebeeck owned 56.83% of our common shares and 56.83% of our preferred shares and Grupo Empresarial Santander owned 41.60% of our common shares and 40.53% of our preferred shares.

Santander Insurance Holding became our shareholder on August 14, 2009 in connection with the series of share exchange transactions pursuant to which certain asset management and insurance companies that had been owned by the Santander Group were transferred to us. As a result of the share exchange transactions (incorporações de ações) on August 14, 2009, Santander Insurance Holding owned 2.61% of our common shares and 2.61% of our preferred shares, Sterrebeeck owned 54.69 % of our common shares and 54.69% of our preferred shares and Grupo Empresarial Santander owned 41.19% of our common shares and 40.17% of our preferred shares.

On August 16, 2010, we filed with the SEC and CVM a registration statement on Form F-1 with respect to the sale by our shareholder Santander Insurance Holding of its shares in the Bank, in the form of ADRs, in the United States market. A total of 4,538,420,040 common shares and 4,125,836,400 preferred shares held by Santander Insurance Holding were converted to compose 82,516,728 Units/ADRs (equivalent to ownership position of 2.17% in our capital stock). As of December 31, 2010, all of these Units were sold and Santander Insurance Holding retains an equity participation in our capital stock of less than 0.05%.

On November 14 and 15, 2011, we filed an amendment to our automatic shelf registration statement and a related prospectus supplement with the SEC with the purpose of having available for sale on a registered basis approximately 8.0% of our capital stock. At such time, the Santander Group expected to use this registration statement to allow for greater flexibility of the group in fulfilling its commitment to deliver approximately a 5% stake in our capital stock under the outstanding exchangeable bonds and fulfill our commitment to reach a 25% free float prior to October 2012, or October 2014, subject to agreement with BM&FBOVESPA, when market conditions are appropriate.

On January 9, 2012, Grupo Empresarial Santander, S.L. transferred to Santander Spain ADRs representing approximately 5.18% of our capital stock, as part of an internal reorganization in the Santander Group, to the transfer of approximately 4.41% of our capital stock to a third party, which shall deliver such interest to the investors of the exchangeable bonds issued by Santander Spain in October, 2010, on maturity and as provided in such bonds. The issuance of such exchangeable bonds by Santander Spain was object of a Material Fact dated October 29, 2010. Santander Spain subsequently transferred an additional approximately 0.6% and 0.8% of our total capital stock in separate transactions. As a result of such transfers, Santander Spain, directly or indirectly, held approximately 76.4% of our voting capital stock and approximately 75.6% of our total capital stock, and our free float was approximately 24.1% of the total stock as of March 23, 2012.

Voting Rights of Principal Shareholders

Our principal shareholders do not have voting rights distinct from those of our other shareholders.

RELATED PARTY TRANSACTIONS

We currently engage in, and expect from time to time in the future to engage in, financial and commercial transactions with our subsidiaries and affiliates and those of the Santander Group. Among other transactions, we have credit lines outstanding with the Santander Group and its affiliated financial institutions around the world. At December 31, 2011, borrowings and deposits from the Santander Group represented approximately 0.5% of our total funding. In addition, from time to time, we enter into certain transactions with the Santander Group and other related parties for the provision of advisory and advertising services. Such transactions are conducted at arm's length, based on terms that correspond to the terms that would apply to transactions with third parties.

In line with regulations applicable to us under Brazilian law, we are not permitted to, and do not provide loans or advances to any of our subsidiaries (with the exception of loans to leasing subsidiaries), executive officers, members of our board of directors or their family members.

Information Technology Platform

We contract with certain affiliates of the Santander Group (Ingeniería de Software Bancário S.L. (Spain), ISBAN S.A. (Chile), Produban Servicios Informáticos Generales S.L. (Spain), ISBAN S.A. (Brasil) and Produban Serviços de Informática S.A. (Brasil)) for the outsourcing of certain products and services relating to our information technology platform, including software development, hosting and information processing. We believe the provision of these services is provided on an arm's- length basis on terms substantially similar to those available from other providers in the market. In each of 2011 and 2010, affiliates of the Santander Group managed approximately R$601 million and R$676 million, respectively, for the provision of such products and services. Additionally, these affiliates are responsible for managing all third party technology contracts.

Procurement Services

We have entered into agreements with Aquanima Brasil Ltda., an affiliate of the Santander Group, which offers procurement services (sourcing, e-procurement, outsourcing and consultancy) to Santander Brasil. Volume aggregation between Santander Brasil and other client companies allow for joint purchases for groups of different clients. We believe the agreements entered into with Aquanima Brasil Ltda. were on an arm's-length basis. We paid Aquanima Brasil Ltda. approximately R$20 million in each of 2011, 2010 and 2009.

Other Related Party Transactions

From time to time, we engage in lending and borrowing transactions to fund our operations and other miscellaneous transactions with various companies of the Santander Group, in compliance with restrictions on loans or advances imposed by Brazilian law. The following table shows the balances owed to us by such companies (assets) at each of December 31, 2011 and December 31, 2010 and the amounts owed by us to such companies (liabilities) at the same dates. The table also sets forth amounts received (income) or paid (expenses) to such companies for the year ended December 31, 2011 and December 31, 2010. All such transactions with Santander Group companies were conducted on an arm's-length basis on terms substantially similar to those available from other providers in the market.

	December 31, 2011			December 31, 2010		
	Parent[(1)]	**Joint–controlled companies**	**Other Related–Party[(2)]**	**Parent[(1)]**	**Joint–controlled companies**	**Other Related–Party[(2)]**
	(in thousands of *R$*)					
Assets						
Trading derivatives, net	**(25,639)**	**–**	**(442,496)**	**35,513**	**–**	**(125,147)**
Banco Santander S.A. – Spain	(25,639)	–	–	35,513	–	–
Santander Benelux, S.A., N.V.	–	–	(308,821)	–	–	(118,521)
Abbey National Treasury Services Plc	–	–	(39,102)	–	–	(33,076)
Real Fundo de Investimento Multimercado Santillana Crédito	–	–	(94,573)	–	–	26,450

	December 31, 2011			December 31, 2010		
	Parent[1]	**Joint–controlled companies**	**Other Related–Party**[2]	**Parent**[1]	**Joint–controlled companies**	**Other Related–Party**[2]
			(in thousands of *R$*)			
Privado						
Loans and amounts due from credit institutions – Cash and overnight operations in foreign currency	**227,724**	**–**	**1,097**	**4,245,332**	**–**	**729**
Banco Santander S.A. – Spain[3]	227,724	–	–	4,245,332	–	–
Banco Santander Totta, S.A.	–	–	1,097	–	–	729
Loans and amounts due from credit institutions – Others	**95,539**	**822,928**	**266,568**	**16,922**	**269,667**	**279,535**
Banco Santander S.A. – Spain	95,539	–	–	16,922	–	–
Santander Benelux, S.A., N.V.	–	–	262,818	–	–	258,261
Companhia de Crédito, Financiamento e Investimento RCI Brasil.	–	822,606	–	–	263,559	–
Companhia de Arrendamento Mercantil RCI Brasil	–	322	–	–	6,108	–
Abbey National Treasury Services Plc	–	–	1,369	–	–	18,817
Santander Overseas Bank, Inc – Puerto Rico	–	–	2,381	–	–	2,457
Other Assets	**5,438**	**615**	**383,271**	**27,090**	**795**	**–**
Banco Santander S.A. – Spain	5,438	–	–	27,090	–	–
Companhia de Crédito, Financiamento e Investimento RCI Brasil	–	615	–	–	529	–
Companhia de Arrendamento Mercantil RCI Brasil	–	–	–	–	266	–
Santander Seguros	–	–	326,637	–	–	–
Others	–	–	57,234	–	–	–
Liabilities						
Deposits from credit institutions	**(1,200,207)**	**(15,213)**	**(171,371)**	**(2,167,452)**	**(76,340)**	**(1,940,158)**
Banco Santander S.A. – Spain[4]	(1,200,207)	–	–	(2,167,452)	–	–
Grupo Banesto: Sociedades consolidables.	–	–	(167,081)	–	–	(75,477)
Banco Madesant – Sociedade Unipessoal, S.A.[5]	–	–	–	–	–	(1,857,963)
Companhia de Crédito, Financiamento e Investimento RCI Brasil	–	(10,348)	–	–	(73,270)	–
Companhia de Arrendamento Mercantil RCI Brasil	–	(4,865)	–	–	(3,070)	–
Others	–	–	(4,290)	–	–	(6,718)
Customer Deposits	**–**	**–**	**(422,753)**	**–**	**–**	**(375,869)**
ISBAN Brasil S.A	–	–	(110,341)	–	–	(129,500)
Produban Serviços de Informática S.A.	–	–	(47,970)	–	–	(43,439)
Universia Brasil S.A.	–	–	(310)	–	–	(3,218)
Real Fundo de Investimento Multimercado Santillana Crédito Privado	–	–	(223,367)	–	–	(198,236)
Fundo de Investimento Multimercado Menorca Crédito Privado	–	–	(31,062)	–	–	–
Others	–	–	(9,703)	–	–	(1,476)
Other liabilities – Dividends and	**(908,004)**	**–**	**(3,615)**	**(1,703,847)**	**–**	**(1,037)**

	December 31, 2011			December 31, 2010		
	Parent[(1)]	Joint–controlled companies	Other Related–Party[(2)]	Parent[(1)]	Joint–controlled companies	Other Related–Party[(2)]
	(in thousands of *R$*)					
Bonuses Payable						
Banco Santander, S.A. – Spain[(4)]	(7,772)	–	–	–	–	–
Grupo Empresarial Santander S.L.[(1)]	(379,617)	–	–	(726,925)	–	–
Santander Insurance Holding S.L.	–	–	(553)	–	–	(1,037)
Sterrebeeck B.V.[(1)]	(520,615)	–	–	(976,922)	–	–
Banco Madesant – Sociedade Unipessoal S.A.	–	–	(3,062)	–	–	–
Other payables	**(3,972)**	**–**	**(85,979)**	**(6,353)**	**–**	**(52,586)**
Banco Santander S.A. – Spain	(3,972)	–	–	(6,353)	–	–
Santander Insurance Holding S.L.	–	–	(9,257)	–	–	(52,358)
Santander Seguros	–	–	(74,772)	–	–	–
Others	–	–	(1,950)	–	–	(228)

(*) All loans and amounts to related parties were made in the ordinary course of business and on a sustainable basis, including interest rates and collateral and did not involve more than the normal risk of collectability or present other unfavorable features.
(1) Santander Brasil is indirectly controlled by Santander Spain, through its subsidiaries Grupo Empresarial Santander, S.L. and Sterrebeeck B.V.
(2) Refers to subsidiaries of Santander Spain.
(3) In 2011, includes cash (which in 2010 was R$315 thousand). In 2010, refers to overnight operations in foreign currency, amounting R$3.9 billion with interest of 0.22% per year.
(4) In 2011, refers to fund raising operations through transfers abroad amounting R$1.2 billion with maturity date until January 2015 and interest between 0.39% and 5.82% per year. In 2010, includes raising funds through operations overseas transfers totaling R$2.0 billion with maturity until January, 2015 and interest between 0.25% and 7.89% per year.
(5) In 2010, refers to raising funds through time deposit with maturity on February 28, 2011 and interest of 1.76% per year.

	December 31, 2011			December 31, 2010		
	Parent[(1)]	Joint-controlled companies	Other Related-Party[(2)]	Parent[(1)]	Joint-controlled companies	Other Related-Party[(2)]
	(in thousands of *R$*)					
Income						
Interest and similar income – Loans and amounts due from credit institutions	**5,046**	**50,771**	**267**	**2,384**	**39,395**	**1,029**
Banco Santander, S.A. – Spain	5,046	–	–	2,384	–	–
Abbey National Treasury Services Plc	–	–	14	–	–	1,029
Companhia de Crédito, Financiamento e Investimento RCI Brasil	–	50,771	–	–	38,545	–
Companhia de Arrendamento Mercantil RCI Brasil	–	–	–	–	850	–
Santander Benelux, S.A., N.V.	–	–	**253**	–	–	–
Interest expense and similar charges – Customer deposits	–	–	**(37,974)**	–	–	**(28,827)**
ISBAN Brasil S.A.	–	–	(10,551)	–	–	(9,359)
Produban Serviços de Informática S.A.	–	–	(3,841)	–	–	(2,736)
Real Fundo de Investimento Multimercado Santillana Crédito Privado	–	–	(21,777)	–	–	(16,166)
Others	–	–	(1,805)	–	–	(566)
Interest expenses and similar charges – Deposits from credit institutions	**(15,311)**	**(620)**	**(5,044)**	**(47,134)**	**(526)**	**(32,676)**

	December 31, 2011			December 31, 2010		
	Parent[1]	Joint-controlled companies	Other Related-Party[2]	Parent[1]	Joint-controlled companies	Other Related-Party[2]
	(in thousands of *R$*)					
Banco Santander S.A. – Spain	(15,311)	–	–	(47,134)	–	–
Abbey National Beta Investments Limited	–	–	–	–	–	(7,415)
Companhia de Crédito, Financiamento e Investimento RCI Brasil	–	(620)	–	–	(526)	–
Banco Madesant – Sociedade Unipessoal,S.A	–	–	(5,013)	–	–	(25,143)
Others	–	–	(31)	–	–	(118)
Expense and similar charges – Marketable debt securities	(1,789)	–	–	–	–	–
Banco Santander S.A. – Spain	(1,789)	–	–	–	–	–
Fee and commission income (expense)	**(14,820)**	**13,262**	**56,224**	**73,975**	**6,770**	**9,449**
Companhia de Crédito, Financiamento e Investimento RCI Brasil	–	10,118	–	–	6,327	–
Banco Santander S.A. – Spain	(14,820)	–	–	73,975	–	–
Aviación Antares, A.I.E.	–	–	–	–	–	9,449
Aviación Centaurus, A.I.E	–	–	11,928	–	–	–
Santander Seguros	–	–	35,785	–	–	–
Others	–	3,144	8,511	–	443	–
Gains (losses) on financial assets and liabilities (net) and Exchange differences (net)	**(245,096)**	**6,522**	**(505,726)**	**(44,953)**	**–**	**(42,090)**
Banco Santander S.A. – Spain	(245,096)	–	–	(44,953)	–	–
Santander Benelux, S.A., N.V.	–	–	(38,238)	–	–	32,489
Santander Overseas Bank, Inc – Puerto Rico	–	–	160	–	–	188
Fundo de Investimento Multimercado Santillana Crédito Privado	–	–	(342,975)	–	–	(86,572)
Abbey National Beta Investments Limited	–	–	(91,726)	–	–	14,763
Santander Investment Securities Inc.	–	–	(11,714)	–	–	–
Companhia de Crédito, Financiamento e Investimento RCI Brasil	–	6,522	–	–	–	–
Others	–	–	(21,233)	–	–	(2,958)
Administrative expenses and amortization	**(152)**	**–**	**(256,681)**	**–**	**–**	**(226,127)**
ISBAN Brasil S.A.	–	–	(54,104)	–	–	(50,320)
Produban Serviços de Informática S.A.	–	–	(103,991)	–	–	(108,741)
ISBAN Chile S.A.	–	–	(4,814)	–	–	(5,491)
Aquanima Brasil Ltda	–	–	(21,500)	–	–	(21,256)
Ingeniería de Software Bancario, S.L.	–	–	(32,209)	–	–	(19,722)
Produban Servicios Informáticos Generales, S.L	–	–	(23,629)	–	–	(15,868)
Santander Seguros	–	–	(89)	–	–	–
Zurich Santander Insurance America, S.L.	–	–	(12,151)	–	–	–
Others	(152)	–	(4,194)	–	–	(4,729)
Gain (losses) on non-current assets held for sale not classified as	**–**	**–**	**424,292**	**–**	**–**	**–**

	December 31, 2011			December 31, 2010		
	Parent[1]	Joint-controlled companies	Other Related-Party[2]	Parent[1]	Joint-controlled companies	Other Related-Party[2]
	(in thousands of *R$*)					
discontinued operations						
Zurich Santander Insurance America, S.L[3].	–	–	424,292	–	–	–

(1) Santander Brasil is indirectly controlled by Santander Spain, through its subsidiaries Grupo Empresarial Santander, S.L. and Sterrebeeck B.V.

(2) Refers to subsidiaries of Santander Spain.

(3) In 2011, we sold our wholly-owned subsidiary, Santander Seguros to a joint enterprise of Santander Spain and Zurich Financial, though we will continue to distribute the products offered by Santander Seguros. See "Summary—Important 2011 Events—Sale of Santander Seguros".

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Final Terms, will apply to the Notes referred to in such Final Terms. All capitalized terms that are not defined in these terms and conditions will have the meanings given to them in the relevant Final Terms.

The Notes (as defined in Condition 1(a)) are constituted by an amended and restated Trust Deed (as amended from time to time, the "Trust Deed") dated March 26, 2010 and made between, inter alia, Banco Santander (Brasil) S.A., acting through its principal office in Brazil, or through its Grand Cayman Branch (the "Issuer") and HSBC Corporate Trustee Company (U.K.) Limited (the "Trustee"), which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined in Condition l(c)). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes and the coupons (if any) relating to them (the "Coupons"). Copies of the Trust Deed and of the amended and restated agency agreement dated March 26, 2010 and made between the Issuer, the Trustee and the Agents (as defined below) (as amended from time to time, the "Agency Agreement") are available for inspection during usual business hours at the specified offices of each of the Trustee and the European issuing and paying agent, the paying agents, the calculation agent, the registrar, the exchange agent and the transfer agents for the time being. Such persons are referred to below respectively as the "European Issuing and Paying Agent", the "Paying Agents" (which expression shall include the European Issuing and Paying Agent, the Paying Agent in New York (the "New York Paying Agent"), the Paying Agent in Luxembourg (the "Luxembourg Paying Agent") and the principal paying agent (the "Principal Paying Agent")), the "Calculation Agent", the "Registrar", the "Exchange Agent" and the "Transfer Agents" and together as the "Agents." The Noteholders and the holders of the Coupons (if any) (the "Couponholders") and, where applicable in the case of interest-bearing Notes in bearer form, talons for further Coupons (the "Talons") are entitled to the benefit of, are bound by and are deemed to have notice of all of the provisions of the Trust Deed and of the relevant Final Terms (as defined in Condition 1(e)) and are deemed to have notice of those applicable to them of the Agency Agreement.

1. Form, Denomination, Title, Specified Currency and Final Terms

(a) *Form:* Each Series (as defined in Condition 1(c)) of Notes of which the Note to which these Conditions are attached forms part (in these Conditions, the "Notes") is issued either in bearer form ("Bearer Notes") or in registered form ("Registered Notes"), and Notes comprising each such Series will be issued in each case in the nominal amount of a Specified Denomination (as defined in Condition 1(b)). These Conditions must be read accordingly.

Registered Notes and Bearer Notes may be Fixed Rate Notes, Floating Rate Notes, Index Linked Interest Notes, Zero Coupon Notes, Dual Currency Notes and other types of Notes, depending upon the interest, redemption and paying conditions specified in the Final Terms and in the Notes. In addition, Foreign Currency Constraint Provisions, Sovereign Event Provisions and Credit Event Provisions may apply to the Notes if specified in the Final Terms.

A definitive Note will be issued to each holder of Registered Note(s) in respect of its registered holding or holdings (each, a "Definitive Registered Note"). Each Definitive Registered Note will be numbered serially with an identifying number which will be recorded in the register (the "Register") which the Issuer shall procure to be kept by the Registrar.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes, in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. U.S. federal income tax law imposes significant limitations on a U.S. person holding debt instruments issued in bearer form. In general, such limitations could include taxation of gains recognized on the sale, retirement or other disposition of Bearer Notes at the rates applicable to ordinary income (rather than capital gains) and the disallowance of a deduction for loss recognized on such a disposition of Bearer Notes. Prospective purchasers are urged to consult their own tax advisors regarding the purchase, ownership and disposition of Bearer Notes.

Registered Notes may not be exchanged for Bearer Notes and Bearer Notes may not be exchanged for Registered Notes.

(b) *Denomination:* "Specified Denomination" means the denomination or denominations specified on such Note, provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under Directive 2003/71/EC of the European Parliament and of the Council (as amended from time to time, including pursuant to Directive 2010/73/EU (to the extent implemented in a relevant Member State)), the minimum Specified Denomination shall be at least €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes) and provided further that in respect of Notes offered in the United Kingdom with a maturity of less than one year, the minimum Specified Denomination shall be at least £100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes). In addition, in the case of any Registered Notes which are resold pursuant to Rule 144A under the United States Securities Act of 1933, as amended, the minimum Specified Denomination shall be at least U.S.$150,000 and integral multiples of U.S.$1,000 in excess thereof or, in respect of Notes denominated in a Specified Currency other than U.S. dollars, its approximate U.S. dollar equivalent. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination (if any).

So long as the Notes are represented by a Temporary Global Note, Permanent Global Note, DTC Global Note or International Global Note Certificate (each as defined in the Trust Deed) and the relevant clearing system(s) so permit, the Notes shall be tradable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided hereon and integral multiples of the Tradable Amount provided hereon.

(c) *Title:* Title to the Bearer Notes, the Coupons relating thereto and, where applicable, the Talons relating thereto shall pass by delivery. Title to the Registered Notes shall pass by registration in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Note, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone.

In these Conditions, "Noteholder" and, in relation to a Note, Coupon or Talon, "holder", means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be); "Series" means Notes which have identical terms and conditions, other than in respect of the Issue Date (as defined in Condition 5(III)), the date on which interest commences to accrue and related matters; and "Tranche" means, in relation to a Series, those Notes of such Series which have the same Issue Date.

(d) *Specified Currency:* The Specified Currency of any Note and, if different, any Specified Principal Payment Currency and/or Specified Interest Payment Currency are as specified on such Note. Subject to the provisions of Condition 15(a), all payments of principal in respect of a Note shall be made in the Specified Currency or, if applicable, the Specified Principal Payment Currency and all payments of interest in respect of a Note shall be made in the Specified Currency or, if applicable, the Specified Interest Payment Currency.

(e) *Final Terms and Additional Terms:* References in these Conditions to terms specified on a Note shall be deemed to include references to terms specified in the applicable Final Terms issued in respect of a Tranche which includes such Note (each, a "Final Terms"). Capitalized terms used in these Conditions in respect of a Note, and not specifically defined in these Conditions, have the meanings given to them in the applicable Final Terms issued in respect of a Tranche which includes such Note. Additional provisions relating to the Notes may be contained in the Final Terms or specified on the Note and will take effect as if originally specified in these Conditions. The Final Terms in respect of Index Linked Interest Notes, Installment Notes, Dual Currency Notes and other types of Notes the terms of which are not specifically provided for herein shall set out in full all terms applicable to such Notes.

2. Transfers of Registered Notes and Issue of Definitive Registered Notes

(a) *Transfer of Registered Notes:* A Registered Note may be transferred in whole or in part in a Specified Denomination upon the surrender of the Definitive Registered Note issued in respect of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of part only of a Registered Note, a new Definitive Registered Note in respect of the balance not transferred will be issued to the transferor. Each new Definitive Registered Note to be issued upon transfer of such Registered Note will, within three business days of receipt of such form of transfer, be mailed at the risk of the holder entitled to the new Definitive Registered Note to such address as may be specified in such form of transfer.

(b) *Transfer Free of Charge:* Registration of transfer will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to such registration or transfer.

(c) Closed Periods: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for any payment of principal (being, for the purposes of these Conditions, unless the context otherwise requires, the amount payable on redemption of a Note) of that Note, (ii) during the period of 60 days prior to any date on which Notes of the relevant Series may be redeemed by the Issuer at its option pursuant to Condition 6(e), or (iii) after any such Note has been called for redemption in whole or in part in accordance with Condition 6.

(d) *Regulations:* All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be made available by the Registrar to any holder of a Registered Note upon request.

3. Status

The Notes and Coupons of all Series constitute (subject to Condition 4) direct, unconditional, unsecured and unsubordinated obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons of all Series shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, and at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations of the Issuer subject to certain limitations on payments if there is a Foreign Currency Constraint Event, a Sovereign Event or a Credit Event as provided for in Conditions 15(a), 15(b) and 15(c), respectively.

Subject to Conditions 15(b) or 15(c) (if applicable), the Noteholder will have no rights, title or interest in any Governmental Obligations or any Credit Obligations, respectively.

4. Negative Pledge and Covenants

(a) *Negative Pledge:* So long as any Note remains outstanding (as defined in the Trust Deed) the Issuer will not, and will procure that none of its Material Subsidiaries will, create or permit to subsist any Security upon the whole or any part of their respective undertaking or assets, present or future (including any uncalled capital), to secure (i) any of their respective Public External Indebtedness; (ii) any of their respective Guarantees in respect of Public External Indebtedness; or (iii) the Public External Indebtedness or Guarantees in respect of the Public External Indebtedness of any other person; without at the same time or prior thereto securing the Notes equally and ratably therewith or providing such other security for the Notes as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders. The Issuer or any Material Subsidiary shall not be required to equally and ratably secure the Notes if the Security consists of any of the following:

(A) in existence on date hereof to the extent that it secures Public External Indebtedness outstanding on such date, and any extension, renewal or replacement hereof, provided that the aggregate amount of Public External Indebtedness permitted to be secured under the clause (a) shall not exceed the amount so secured on the date hereof;

(B) granted in connection with any financing related to (1) any payment rights or other receivables of the Issuer or any Material Subsidiary or (2) amounts paid or payable pursuant to payment instructions (including interbank payment instructions or advice of payment) received or to be received by the Issuer or any Material Subsidiary; or

(C) granted by means of any payment made to a trustee of amounts due under any Public External Indebtedness which has the benefit of an insurance policy (or other arrangement having similar effect including, without limitation, any Security granted in connection with a letter of credit) to provide for payments to holders of such Public External Indebtedness during any period in respect of which the trustee must wait before making a claim or receiving payment in respect thereof under any such insurance policy (or arrangement having similar effect) in circumstances where the Issuer (or any Material Subsidiary) is subject to restrictions on its or their ability to convert *reais* into the currency specified for scheduled payments on such Public External Indebtedness or to use, transfer, control or access funds designated for such scheduled payments due to actions or measures taken or approved (or the failure to take or approve actions or measures) by the Brazilian government.

(b) *Transactions with Affiliates:* The Issuer will not, and will procure that none of its Material Subsidiaries, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or Guarantee with, or for the benefit of, any Affiliate (each of the foregoing, an "Affiliate Transaction"), unless such Affiliate Transaction is on terms that are no less favorable to the Issuer or such Material Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or the Material Subsidiary with an unrelated Person. Notwithstanding the foregoing, the following items shall not be deemed to be Affiliate Transactions: (i) any employment agreement entered into by the Issuer or any of its Material Subsidiaries in the ordinary course of business and consistent with the past practice of the Issuer or such Material Subsidiary, (ii) payment of reasonable directors' fees to Persons who are not otherwise Affiliates of the Issuer and (iii) any transactions between the Issuer and its wholly-owned Material Subsidiaries.

(c) *Consolidation*, *Merger or Sales of Assets:* The Issuer shall not, without the consent of the holders of 75 per cent, in nominal amount of the outstanding Notes of each Series, consolidate with or merge into any other corporation or convey or transfer, in one transaction or a series of transactions, all or substantially all of its properties or assets to any other Person unless:

(i) the corporation formed by such consolidation or into which the Issuer is merged or the Person which acquires by conveyance or transfer all or substantially all of the properties and assets of the Issuer (the "Successor Corporation") shall agree in writing to assume the due and punctual payment of the principal of and interest on all the Notes and all other obligations of the Issuer under the Trust Deed and the Notes;

(ii) immediately after giving effect to such transaction, no Event of Default with respect to any Note shall have happened and be continuing;

(iii) the Issuer shall have delivered to the Trustee (A) a certificate signed by an executive officer of the Issuer stating that such consolidation, merger, conveyance or transfer complies with this Condition 4(c) and that all conditions precedent herein provided for relating to such transaction have been complied with, and (B) opinions addressed to and in a form satisfactory to the Trustee of independent counsel of recognized standing as to such laws as may be reasonably requested by the Trustee to the effect that the Successor Corporation has validly assumed the obligations to be assumed by it pursuant to clause (i) above and that the Trust Deed and each Series of Notes constitute legal, valid and binding obligations of the Successor Corporation, enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization or other laws of general applicability relating to or affecting the enforcement of creditors' rights and to general principles of equity; and

(iv) the Successor Corporation shall expressly agree (A) to indemnify each holder of a Note, Coupon or Talon against any tax, assessment or governmental charge thereafter imposed on such holder as a consequence of such consolidation, merger, conveyance or transfer, and (B) to pay any additional amounts as may be necessary in order that the net amounts received by the holders of the Notes (and

Coupons, if any) after any withholding or deduction of any such tax, assessment or other governmental charge imposed by any authority having power to tax to which the Successor Corporation is subject shall equal the respective amounts of principal and interest (if any) which would have been receivable in respect of the Notes (and Coupons, if any) in the absence of such consolidation, merger, conveyance or transfer.

(d) *Redemption:* No Successor Corporation shall have the right to redeem any Series of Notes unless the Issuer would have been entitled to redeem the Notes in similar circumstances.

(e) *Consolidation and Merger:* Upon any consolidation, merger, conveyance or transfer in accordance with Condition 4(c), the Successor Corporation shall succeed to, and be substituted for, and may exercise every right and power of, and shall assume all of the obligations of the Issuer under the Notes and the Trust Deed, with the same effect as if the Successor Corporation had been party to the Trust Deed at the date of its execution and named herein as the Issuer of the Notes.

(f) *Definitions*: For the purposes of these Conditions:

"Affiliate" in respect of a specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control of such specified Person. For the purpose of Condition 4(c) only, "Affiliate" shall also mean any beneficial owner of share capital representing 10 per cent or more of the total voting share capital (on a fully diluted basis) of the Issuer or of warrants or similar instruments issued by the Issuer entitling the holder to purchase 10 per cent or more of such voting share capital (if such warrants or instruments are exercisable at the time of such transaction) and any Person who would be an Affiliate of any such beneficial owner pursuant to the first sentence hereof.

"Consolidated Assets" means, as at any date of determination the aggregate of all the assets of the Issuer and its Subsidiaries, determined on a consolidated basis in accordance with accounting principles generally accepted in, and pursuant to the relevant laws of, Brazil.

"Consolidated Revenues" means, as of any date of determination, all revenue of the Issuer and its Subsidiaries determined on a consolidated basis in accordance with accounting principles generally accepted in, and pursuant to the relevant laws of, Brazil.

"controlled" in relation to a company by another person means that that other person (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove the majority of the members of the Board of Directors or other governing body of that company or otherwise controls or has the power to control the affairs and policies of that company.

"External Indebtedness" means Indebtedness which is payable (or may be paid) (i) in a currency or by reference to a currency other than the currency of the Federative Republic of Brazil ("Brazil") and (ii) to a person resident or having its principal place of business outside Brazil.

"Guarantee" means any obligation of a person to pay the Indebtedness of another person including without limitation:—

(i) an obligation to pay or purchase such Indebtedness;

(i) an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(ii) an indemnity against the consequences of a default in the payment of such Indebtedness; or

(iii) any other agreement to be responsible for such Indebtedness.

"Indebtedness" means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing).

"Material Subsidiary" means, at the date of determination, any Subsidiary of the Issuer that, together with its Subsidiaries, on a consolidated basis, (i) had total assets (exclusive of assets owed to such Subsidiary by the Issuer or other Subsidiaries of the Issuer) in excess of 5 per cent of Consolidated Assets or (ii) accounted for more than 5 per cent of Consolidated Revenues, in each case determined by reference to the consolidated financial statements of the Issuer and its Subsidiaries for the most recently completed fiscal quarter prior to the date of determination.

"Person" means any individual, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having a separate legal personality.

"Public External Indebtedness" means any External Indebtedness which is in the form of, or represented by, bonds, notes or other securities which are for the time being or are capable of being or intended to be quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market.

"Security" means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance including, without limitation, any equivalent created or arising under the laws of Brazil.

"Subsidiary" of any company or corporation means, at any particular time, any company or corporation:

(i) more than 50 per cent of the issued share equity capital of which, or more than 50 per cent of the issued share capital carrying voting rights of which, is beneficially owned, directly or indirectly, by the first-mentioned company or corporation; or

(ii) which is a Subsidiary of another Subsidiary of the first-mentioned company or corporation.

5. Interest

One or more of the following provisions apply to each Note, as specified on such Note.

(I) Fixed Rate Notes

This Condition 5(I) applies to a Note in respect of which the Fixed Rate Note Provisions are specified on such Note as being applicable (a "Fixed Rate Note").

(a) *Interest Rate and Accrual:* Each Note bears interest on its nominal amount from (and including) the Interest Commencement Date (as defined in Condition 5(III)) in respect thereof to (but excluding) the next succeeding Interest Payment Date specified on such Note at the rate per annum (expressed as a percentage) equal to the Rate of Interest specified on such Note. Such interest is payable in arrear on each Interest Payment Date in each year and on the Maturity Date specified on such Note if that date does not fall on an Interest Payment Date. The amount(s) of interest payable in respect of such Note may be specified on such Note as the Fixed Coupon Amount(s) or, if so specified, the Broken Amount.

The first payment of interest on a Note will be made on the Interest Payment Date next following the relevant Interest Commencement Date. If the period between the Interest Commencement Date and the first Interest Payment Date is less than the period between Interest Payment Dates, the first payment of interest on a Note will be the amount specified on the relevant Note as being the initial Broken Amount. If the Maturity Date is not an Interest Payment Date, interest from (and including) the preceding Interest Payment Date (or from (and including) the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will be the amount specified on the relevant Note as being the final Broken Amount.

Interest will cease to accrue on each Note on the due date for redemption unless, upon due presentation or surrender, payment of principal is improperly withheld or refused. In such event interest will continue to accrue at the rate and in the manner provided in this Condition 5(I) (both before and after judgment) until the Relevant Date (as defined in Condition 8) (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(b) Calculations: Interest in respect of a period of less than the period between Interest Payment Dates (or, in the case of the first interest period, the period between the Interest Commencement Date and the first Interest Payment Date) will be calculated using the applicable Day Count Fraction (as defined in Condition 5(III)).

(II) Floating Rate Notes or Index Linked Interest Notes

This Condition 5(II) applies to a Note in respect of which the Floating Rate Note Provisions or Index Linked Interest Note Provisions are specified on such Note as being applicable (a "Floating Rate Note" or "Index Linked Interest Note," respectively).

(a) *Specified Interest Payment Dates:* Each Note bears interest on its nominal amount from (and including) the Interest Commencement Date (as defined in Condition 5(III)) in respect thereof and such interest will be payable in arrear on each Specified Interest Payment Date (as defined in Condition 5(III)).

(b) *Rate of Interest:* Each Note bears interest at a floating or variable rate which may be based on one or more interest rate or exchange rate indices, formulae or as otherwise specified on such Note. The dates on which interest shall be payable on a Note and the basis for calculation of each amount of interest payable in respect of such Note on each such date and on any other date on which interest becomes payable in respect of such Note, and the rate (or the basis of calculation of such rate) at which interest will accrue in respect of any amount due but unpaid in respect of such Note shall be as set out below, unless otherwise specified on such Note. Subject to Condition 5(II)(c), the Rate of Interest payable from time to time will, unless otherwise specified on such Note, be determined by the Calculation Agent on the basis of the following provisions:

(i) In the case of a Note which specifies that the Rate of Interest is to be determined from a specified page, section or other part of a particular information service (each as specified on such Note), the relevant Rate of Interest in respect of each Interest Period (as defined in Condition 5(III)) will, subject as provided below, be either:

(A) (x) the offered quotation; or

(y) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as defined in Condition 5(III)) which appears or appear, as the case may be, on that page, section or other part of such information service as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on that page, section or other part of such information service, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(B) if that page, section or other part of such information service is not available or if, Condition 5(II)(b)(i)(A)(x) applies and no such offered quotation appears on that page, section or other part of such information service or if Condition 5(II)(b)(i)(A)(y) above applies and fewer than three such offered quotations appear on that page, section or other part of such information service in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks (as defined in Condition 5(III)) or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 am (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 am (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(C) if Condition 5(II)(b)(i)(B) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11:00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 am (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 am (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 am (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period).

(ii) In the case of a Note which specifies that the manner in which the Rate of Interest is to be determined shall be ISDA Determination, the Rate of Interest for each Interest Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as specified on such Note) the Margin (if any). For the purposes of this sub-paragraph (ii), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(A) the Floating Rate Option is as specified on such Note;

(B) the Designated Maturity is a period specified on such Note; and

(C) the relevant Reset Date is the first day of that Interest Period unless otherwise specified on such Note.

For the purposes of this sub-paragraph (ii), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(c) *Minimum/Maximum Rates:* If a Minimum Rate of Interest is specified on a Note, then the Rate of Interest applicable to that Note shall in no event be less than it and if a Maximum Rate of Interest is specified on a Note, then the Rate of Interest applicable to that Note shall in no event exceed it.

(d) *Determination of Rate of Interest and Calculation of Interest Amounts:* The Calculation Agent will, as soon as practicable on each Interest Determination Date, determine the Rate of Interest in the manner provided for in this Condition 5 and calculate the amount of interest payable (the "Interest Amounts") in respect of each Specified Denomination of the relevant Notes (in the case of Bearer Notes) and the minimum Specified Denomination (in the case of Registered Notes) for the relevant Interest Period. The Interest Amounts shall be calculated by applying the Rate of Interest adjusted, if necessary, by any Margin (as defined in Condition 5(III)) to each Specified Denomination (in the case of Bearer Notes) and the minimum Specified Denomination (in the case of Registered Notes), and multiplying such product by the applicable Day Count Fraction (as defined in Condition 5(III)) rounding, if necessary, the resultant figure to the nearest unit of the relevant currency (half of such unit being rounded upwards or, in the case of Yen, downwards). The determination of the Rate of Interest and the Interest Amounts by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(e) *Notification of Rate of Interest and Interest Amounts:* The Calculation Agent will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Specified Interest Payment Date to be notified to the Trustee, the Issuer, each of the Agents, the Noteholders (in accordance with Condition 18) and if the relevant Notes are for the time being listed on any stock exchange (each, an "Exchange"), the Exchange as soon as possible after their determination but in no event later than two Relevant Business Days (as defined in Condition 5(III)) after their determination. The Interest Amounts and the Specified Interest Payment Date so notified may subsequently be amended by the Calculation Agent (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(f) *Interest Accrual:* Interest will cease to accrue on each Note on the due date for redemption unless, upon due presentation or surrender, payment of principal is improperly withheld or refused. In such event interest will continue to accrue at the rate and in the manner provided in this Condition 5(II) (both before and after judgment) until the Relevant Date (as defined in Condition 8) (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(g) *Determination or Calculation by the Trustee:* If the Calculation Agent does not at any time for any reason determine the Rate of Interest or calculate the Interest Amounts for an Interest Period, the Trustee or any person appointed by it for the purpose may do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition 5(II), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(h) *Calculation Agent:* The Issuer will procure that, so long as any Note to which this Condition 5(II) applies remains outstanding, there shall at all times be a Calculation Agent for such Note. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts, the Issuer will appoint the London office of a leading bank engaged in the London and international interbank markets to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(III) Definitions

As used in these Conditions:

"Business Day Convention" means either:

(A) the "Floating Rate Business Day Convention," in which case interest on a Note shall be payable on each Specified Interest Payment Date which numerically corresponds to its Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date in the calendar month which is the Interest Period specified on such Note after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred, provided that:—

(1) if there is no such numerically corresponding day in the calendar month in which a Specified Interest Payment Date should occur, then the relevant Specified Interest Payment Date will be the last day which is a Relevant Business Day (as defined below) in that calendar month;

(2) if a Specified Interest Payment Date would otherwise fall on a day which is not a Relevant Business Day, then the relevant Specified Interest Payment Date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Relevant Business Day; and

(3) if such Interest Commencement Date or the preceding Specified Interest Payment Date occurred on the last day in a calendar month which was a Relevant Business Day, then all subsequent Specified Interest Payment Dates in respect of such Note will be the last day which is a Relevant Business Day in the calendar month which is the Interest Period specified on such Note after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred; or

(B) the "Modified Following Business Day Convention," in which case interest on a Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified on such Note, provided that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date or Specified Interest Payment Date will be the first preceding day which is a Relevant Business Day; or

(C) the "Following Business Day Convention," in which case interest on a Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified on such Note, provided that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first following day which is a Relevant Business Day; or

(D) the "Preceding Business Day Convention," in which case interest on a Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified on such Note, provided that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first preceding day which is a Relevant Business Day; or

(E) such other Business Day Convention as may be specified on the relevant Note.

"Consolidated Net Worth" of a Person is the sum of paid-in capital, reserves and retained earnings of such person, determined on a consolidated basis in accordance with Brazilian GAAP.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "Calculation Period"):

(i) if "Actual/Actual" or "Actual/Actual-ISDA" is specified on such Note, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified on such Note, the actual number of days in the Calculation Period divided by 365;

(iii) if "Actual/360" is specified on such Note, the actual number of days in the Calculation Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified hereon, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case Dl will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(v) if "30E/360" or "Eurobond Basis" is specified on such Note, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360\text{''}}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case Dl will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

(vi) if "30E/360 (ISDA)" is specified hereon the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (A) that day is the last day of February or (B) such number would be 31, in which case Dl will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (A) that day is the last day of February but not the Maturity Date or (B) such number would be 31, in which case D2 will be 30; and

(vii) "Actual/Actual-ICMA" is specified on such Note, (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and (B) if the Calculation Period is longer than one Determination Period, the sum of: (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year.

For the purposes of this definition of Day Count Fraction:

"Determination Date" means the date specified as such on the relevant Note or, if none is so specified, the Interest Payment Date.

"Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"Interest Commencement Date" means, in the case of the first issue of a Note or Notes of a Series, the Issue Date or such other date as may be specified as the Interest Commencement Date on such Note.

"Interest Determination Date" means, in respect of any Interest Period, the date which falls that number of days specified on the relevant Note on which banks and foreign exchange markets are open for business in the Relevant Banking Centre prior to the first day of such Interest Period or, if none is so specified, the day falling two Relevant Business Days prior to the first day of such Interest Period.

"Interest Period" means the period beginning on (and including) the Interest Commencement Date to (but excluding) the first Specified Interest Payment Date and each successive period beginning on (and including) a Specified Interest Payment Date to (but excluding) the next succeeding Specified Interest Payment Date.

"ISDA Definitions" means the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified on the relevant Note.

"Issue Date" means, in respect of any Note or Notes, the date of issue of such Note or Notes.

"Margin" means the percentage rate per annum specified on the relevant Note.

"Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"Reference Rate" means, for any Note, the bid, offered or mean of bid and offered rate, as specified on such Note, for the floating rate specified on such Note.

"Relevant Banking Centre" means, for any Note, the Relevant Banking Centre specified on such Note or, if none is so specified, the banking centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR shall be Europe) or, if none is so connected, London.

"Relevant Business Day" means:

(A) in the case of a currency other than euro, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the Relevant Financial Centre; or

(B) in the case of euro, a TARGET Business Day; and

(C) in the case of any currency, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the Additional Business Centre(s) specified on the relevant Note.

"Relevant Financial Centre" means the principal financial centre for the relevant currency (which in the case of euro shall be Europe).

"Specified Interest Payment Date" means each date which falls the Interest Period specified on the relevant Note after the preceding Specified Interest Payment Date or, in the case of the first Specified Interest Payment Date, after the Interest Commencement Date or as is otherwise specified as such on the relevant Note, in each case as adjusted by the Business Day Convention specified on such Note.

"TARGET Business Day" means a day on which the TARGET System is operating.

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on November 19, 2007 or any successor thereto.

(IV) Zero Coupon

This Condition 5(IV) applies to a Note in respect of which the Zero Coupon Note Provisions are specified on such Note as being applicable (a "Zero Coupon Note").

References to the amount of interest payable (other than as provided below), Coupons and Talons in these Conditions are not applicable. Where a Note becomes repayable prior to its Maturity Date and is not paid when due, the amount due and payable in respect of such Note shall be the Amortized Face Amount (as defined in Condition 6(d)(iii)) of such Note as determined in accordance with Condition 6(d)(iii). Where a Note is to be redeemed on its Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum (expressed as a percentage) equal to the Amortization Yield specified on such Note. Such interest shall continue to accrue (on the same basis as referred to in Condition 5(I)) (both before and after judgment) to the Relevant Date.

(V) Dual Currency Notes

This Condition 5(V) applies to a Note in respect of which the Dual Currency Provisions are specified on such Note as being applicable (a "Dual Currency Note").

If the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

6. Redemption and Purchase

(a) *Final Redemption:* Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its redemption amount ("Final Redemption Amount"), being its nominal amount or such other amount as is specified on such Note (which may be based on one or more specified indices or formulae) on the applicable Maturity Date or, if such Note has applicable to it on the Maturity Date an interest basis which is specified on such Note as Floating Rate, on the applicable Specified Interest Payment Date falling in the applicable Redemption Month specified on such Note.

(b) *Purchases:* The Issuer and any of its Subsidiaries may at any time purchase Notes at any price (provided that in the case of Bearer Notes they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases are in compliance with all relevant laws, regulations and directives. The Notes so purchased, including Notes purchased under Conditions 6(e) and 6(f), while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the holder to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 11 and 12.

(c) *Redemption for Taxation Reasons:* Notes of any Series may be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of a Fixed Rate Note or a Zero Coupon Note) or on any Interest Payment Date (in the case of a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 18 (which notice shall be irrevocable), at their Early Redemption Amount (together with interest accrued to the date fixed for redemption) or (in the case of Zero Coupon Notes) at their Amortized Face Amount (as determined in accordance with Condition 6(d)(ii)), if (i) the Issuer certifies to the Trustee (in the manner described below) immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 8 in excess of the additional amounts which would be payable in respect of deductions or withholdings made at the rate of the Original Withholding Level, if any, specified on such Notes as a result of any change in, or amendment to, the laws or regulations of Brazil, the Cayman Islands or any political subdivision or any authority thereof or therein or any other jurisdiction having power to tax in which the Issuer is organized, doing business or otherwise subject to the power to tax (any of the aforementioned being a "Taxing Jurisdiction"), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date in respect of the relevant Series, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of such Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

(d) *Early Redemption of Zero Coupon Notes:* This Condition 6(d) applies to Zero Coupon Notes.

(i) The amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6(c), (e) or (f), if applicable, or upon it becoming due and payable as provided in Condition 9, shall be the Amortized Face Amount (calculated as provided below) of such Zero Coupon Note.

(ii) Subject to Condition 6(d)(iii), the "Amortized Face Amount" of any Zero Coupon Note shall be the sum of (A) the Reference Price specified on such Zero Coupon Note and (B) the aggregate amortization of the difference between the Reference Price and the nominal amount of such Zero Coupon Note from the Issue Date to the date on which the Zero Coupon Note becomes due and payable calculated at a rate per annum (expressed as a percentage) equal to the Amortization Yield specified on such Zero Coupon Note applied to the Reference Price in the manner specified on such Zero Coupon Note. Where the specified calculation is to be made for a period of less than one year, it shall be made using the applicable Day Count Fraction.

(iii) If the amount payable in respect of any Note upon redemption of such Zero Coupon Note pursuant to Condition 6(c), (e) or (f), if applicable, or upon it becoming due and payable as provided in Condition 9, is not paid when due, the amount due and payable in respect of such Note shall be the Amortized Face Amount of such Zero Coupon Note as defined in Condition 6(d)(ii), except that Condition 6 shall have effect as though the reference therein to the date on which the Zero Coupon Note becomes due and payable were replaced by a reference to the Relevant Date (as defined in Condition 8). The calculation of the Amortized Face Amount in accordance with this Condition 6(d)(iii) will continue to be made (both before and after judgment) until the Relevant Date unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the nominal amount of such Note together with any interest which may accrue on such Zero Coupon Note in accordance with Condition 5(IV).

(e) *Redemption at the Option of the Issuer* (*Call Option*)*:* Subject to the provisions of Conditions 15(b)(i) and 15(c)(i), if so provided on a Note, the Issuer may, subject to compliance with all relevant laws, regulations and directives, on giving to the holder of such Note irrevocable notice in accordance with Condition 18 of not less than 30 nor more than 45 days (or such other notice period as specified on such Note), redeem all or, if so specified on such Note, some of the Series of Notes of which such Note forms part, on the Optional Redemption Date(s) specified on such Notes (which shall, in the case of a Note which has applicable to it at the time of redemption an interest basis which is specified on such Note as Floating Rate, be a Specified Interest Payment Date) at the amount specified on such Note as the Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption; provided, however, that if the Issuer so elects, the Issuer may, in lieu of redeeming such Notes, procure that any person designated by the Issuer may purchase such Notes on the Optional Redemption Date(s) specified in the Final Terms at the Optional Redemption Amount, together with an amount equal to interest accrued to (but excluding) the date fixed for redemption. All Notes in respect of which any such notice is given shall be redeemed on the Optional Redemption Date(s) specified in such notice in accordance with this Condition 6(e). If only some of the Notes of a Series are to be redeemed at any time, the Notes to be redeemed shall be determined by the drawing of lots. In the case of a partial redemption by way of lot, the notice to Noteholders shall also contain the serial numbers and nominal amount of the Notes to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws, clearing system and stock exchange requirements.

(f) *Redemption at the Option of Noteholders* (*Put Option*)*:* If so provided on a Note, the Issuer shall, subject to compliance with all relevant laws, regulations and directives, at the option of the holder of such Note, redeem such Note on the Optional Redemption Date(s) specified on such Note (which shall, in the case of a Note which has applicable to it at the time of redemption an interest basis which is specified on such Note as Floating Rate, be a Specified Interest Payment Date) at the amount specified on such Note as the Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption; provided, however, that if the Issuer so elects, the Issuer may, in lieu of redeeming such Notes, procure that any person designated by the Issuer may purchase such Notes on the Optional Redemption Date(s) specified in the Final Terms at the Optional Redemption Amount, together with an amount equal to interest accrued to (but excluding) the date fixed for redemption. To exercise such option the holder must deposit such Note with any Paying Agent (in the case of Bearer Notes) or the Registrar or any Transfer Agent (in the case of Registered Notes) at their respective specified offices, together with a duly completed notice of redemption ("Redemption Notice") in the form obtainable from any Agent not more than 60 nor less than 46 days (or such other deposit period as may be specified on such Note) prior to the relevant date for redemption. No Note (or Redemption Notice) so deposited may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. Notice of not more nor less than the number of days specified on such Note of the commencement of any period for the deposit of Notes for redemption pursuant to this Condition 6(f) shall be given by the Issuer to Noteholders in accordance with Condition 18.

(g) *Redemption Resulting From a Sovereign Event or a Credit Event:* If Sovereign Event Provisions or Credit Event Provisions are specified in the relevant Final Terms, the Issuer may, at its discretion, redeem all of the Series of the Notes pursuant to the applicable mechanisms and procedures set forth in Condition 15 below. Any further provisions relating to the redemption of Notes subject to a Sovereign Event or a Credit Event will be set out in the relevant Final Terms.

(h) *Cancellation:* All Notes redeemed in accordance with this Condition 6, and any unmatured Coupons or Talons attached to them, will be cancelled forthwith. Any Notes purchased in accordance with this Condition 6, and any unmatured Coupons or Talons purchased with them, may at the option of the Issuer be cancelled or may be resold. Notes which are cancelled following any redemption or purchase made in accordance with this Condition 6 may at the option of the Issuer be re-issued together with any unmatured Coupons or Talons. Any resale or re-issue pursuant to this Condition 6(h) shall only be made in compliance with all relevant laws, regulations and directives.

7. Payments

(a) Bearer Notes:

(i) Payments of Principal and Interest

Payments of principal and interest in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Bearer Notes or Coupons, as the case may be, at the specified office of any Paying Agent outside the United States and its possessions:

(A) in respect of payments denominated in a Specified Currency other than U.S. dollars, at the option of the holder either by a cheque in such Specified Currency drawn on, or by transfer to an account in such Specified Currency maintained by the payee with a bank in the Relevant Financial Centre of such Specified Currency, or in the case of euro, in a city in which banks have access to the TARGET System;

(B) in respect of payments denominated in U.S. dollars, subject to Condition 7(a)(ii), at the option of the holder either by a U.S. dollar cheque drawn on a bank in New York City or by transfer to a U.S. dollar account maintained by the payee with a bank outside the United States; or

(C) as may otherwise be specified on such Notes as an Alternative Payment Mechanism.

(ii) Payments in the United States

Notwithstanding the foregoing, payments in respect of Bearer Notes denominated in U.S. dollars may be made at the specified office of the New York Paying Agent in New York City in the same manner as aforesaid if (1) the Maturity Date of such Bearer Notes is not more than one year from the Issue Date for such Bearer Notes or (2) (A) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Bearer Notes in the manner provided above when due, (B) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (C) such payment is then permitted by United States law. If, under such circumstances, a Bearer Note is presented for payment of principal at the specified office of the New York Paying Agent (or at the specified office of any other paying agent in the United States or its possessions) in circumstances where interest (if any is payable against presentation of the Bearer Note) is not to be paid there, the relevant Paying Agent will annotate the Bearer Note with the record of the principal paid and return it to the holder for the obtaining of interest elsewhere.

(iii) Payments on Business Days

Subject as provided on a Note, if any date for payment in respect of any Bearer Note or Coupon comprising all or part of a Tranche is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7(a), "business day" means a day on which banks are open for business in the relevant place of presentation, in such jurisdictions as shall be specified on such Note as "Additional Financial Centers" and:

(A) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant Specified Currency, a day on which dealings may be carried on in the Relevant Financial Centre of such Specified Currency; or

(B) in the case of payment in euro, a day which is a TARGET Business Day.

If the due date for redemption or repayment of any Bearer Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note. Interest accrued on a Bearer Note the interest basis for which is specified on such Note as Zero Coupon from its Maturity Date shall be payable on repayment of such Bearer Note against presentation thereof.

(b) Registered Notes:

(i) Payments of Principal and Interest

Payments of principal and interest in respect of Registered Notes will be made or procured to be made by the European Issuing and Paying Agent to the person shown on the Register at the close of business on (1) in the case of a Series of Registered Notes where some or all of the Registered Notes of such Series are registered in the name of or in the name of a nominee for The Depository Trust Company ("DTC"), the DTC business day (as defined below) (subject to Condition 7(b)(iii)) before the due date for payment thereof, or (2) in the case of a Series of Registered Notes where such Registered Notes are registered in the name of, or in the name of a nominee of any clearing system or any other entity or person other than DTC, the business day before the due date for payment thereof (in each case, the "Record Date"):

(A) by cheque drawn on, or by transfer to an account in such Specified Currency maintained by the payee with, a bank in the Relevant Financial Centre of such Specified Currency or, in the case of euro, in a city in which banks have access to the TARGET System; or

(B) as may otherwise be specified on such Notes as an Alternative Payment Mechanism.

Payments of principal in respect of Registered Notes will only be made against surrender of the relevant Definitive Registered Note at the specified office of any Transfer Agent. Upon application by the holder to the specified office of any Transfer Agent not less than 15 days before the due date for any payment in respect of a Note, such payment will be made by transfer to an account maintained by the payee with a bank in the Relevant Financial Centre or, in the case of euro, in a city in which banks have access to the TARGET System. Details of the account to which a registered holder's payments will be made should be notified by the holder to the specified office of the European Issuing and Paying Agent before the Record Date preceding the relevant date for payment. If the amount of principal being paid is less than the nominal amount of the relevant Definitive Registered Note, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Definitive Registered Note with a nominal amount equal to the remaining unpaid nominal amount. In these Conditions, "DTC business day" means any day on which DTC is open for business.

(ii) Payment Initiation

Where payment is to be made by transfer to an account in the relevant Specified Currency, payment instructions (for value the due date, or if that is not a Relevant Business Day, for value the first following day which is a Relevant Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed on the last day on which the European Issuing and Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Definitive Registered Note has not been surrendered at the specified office of any Transfer Agent, on a day on which the European Issuing and Paying Agent is open for business and on which the relevant Definitive Registered Note is surrendered.

(iii) Payments Through The Depository Trust Company

Registered Notes, if so specified on them, will be issued in the form of one or more Definitive Registered Notes registered in the name of, or the name of a nominee for, DTC. Payments of principal and interest in respect of Registered Notes denominated in U.S. dollars will be made in accordance with Conditions 7(b)(i) and (ii). Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency other than U.S. dollars will be made or procured to be made by the European Issuing and Paying Agent in the relevant Specified Currency in accordance with the following provisions. The amounts in such Specified Currency payable by the European Issuing and Paying Agent or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Issuer by the European Issuing and Paying Agent who will make payments in such Specified Currency by wire transfer of same day funds to the designated bank account in such Specified Currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in accordance with DTC procedures, to receive that payment in such Specified Currency. The European Issuing and Paying Agent, after the Exchange Agent has converted amounts in such Specified Currency into U.S. dollars, will deliver such U.S. dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency. The Agency Agreement sets out the manner in which such conversions are to be made.

(iv) Delay in Payment

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Relevant Business Day, if the Noteholder is late in surrendering or cannot surrender its Definitive Registered Note (if required to do so) or if a cheque mailed in accordance with Condition 7(b)(ii) arrives after the due date for payment.

(v) Payment Not Made in Full

If the amount of principal or interest which is due on any Registered Note is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest, if any, in fact paid on such Registered Note.

(c) *Payments Subject to Law*, *etc.:* All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) *Appointment of Agents:* The Paying Agents, the Registrar, the Calculation Agent, the Exchange Agent and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Issuer reserves the right at any time, with the prior approval of the Trustee, which shall not be unreasonably withheld or delayed, to vary or terminate the appointment of any Agent, to appoint another Registrar, Exchange Agent or Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer will at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, a Transfer Agent and a paying agent in New York City, (iii) a European Issuing and Paying Agent, (iv) a Paying Agent and a Transfer Agent having a specified office in a European city which, so long as the Notes are admitted to listing on Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange, shall be Luxembourg, (v) a Paying Agent having a specified office in a Member State of the European Union, which Member State will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000, (vi) a Calculation Agent and (vii) an Exchange Agent. In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(a)(ii). Notice of any such change or any change in the specified office of any Agent will promptly be given to the Noteholders in accordance with Condition 18.

(e) *Unmatured Coupons and Unexchanged Talons:*

(i) Bearer Notes the interest basis for which is specified on such Notes as being Fixed Rate, other than Notes which are specified to be Long Maturity Notes (being Notes whose nominal amount is less than the aggregate interest payable thereon on the relevant dates for payment of interest under Condition 5(I)(a)), should be surrendered to the relevant Paying Agent for payment of principal together with all unmatured Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the nominal amount due for payment on such Note. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10). If the date for payment of principal is any date other than a date for payment of interest, the accrued interest on such principal shall be paid only upon presentation of the relevant Note.

(ii) Upon the due date for redemption of any Bearer Note either the interest basis for which is specified on such Note as being Floating Rate at any time or which is a Long Maturity Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note either the interest basis for which is specified on such Note as being Floating Rate at any time or which is a Long Maturity Note, is presented for redemption without all unmatured Coupons relating to it, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption of such Bearer Note shall be made only against the provisions of such indemnity as the Issuer may require.

(f) *Talons:* Except where such Talon has become void pursuant to Condition 7(e)(iii), on or after the Reference Date or, as the case may be, the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (but excluding any Coupons which may have become void pursuant to Condition 10).

(g) *Indemnification:* In the case of Notes and Coupons issued by the Issuer, every payment of any sum due in respect of the Notes or Coupons made to the Principal Paying Agent as provided for herein shall, to such extent, be a good discharge to the Issuer. The Issuer will indemnify each Noteholder and Couponholder against any failure on the part of the Paying Agents to pay any sum due in respect of the Notes or Coupons within 15 days of receipt from relevant Noteholders) or Couponholder(s) of notice of such failure on the part of the Paying Agents to pay such sum due. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or Coupon or any judgment or order. No proof or evidence of any actual loss may be required.

8. Taxation

All payments by or on behalf of the Issuer in respect of the Notes and the Coupons will be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges (together, the "Taxes") of whatever nature imposed, levied, collected, withheld or assessed by or within a Taxing Jurisdiction, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders or, as the case may be, the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) to a holder (or to a third party on behalf of a holder) where such holder is liable for such Taxes in respect of such Note or Coupon by reason of it having some connection with a Taxing Jurisdiction other than the mere holding of such Note or Coupon or the receipt of the relevant payment in respect thereof; or

(b) to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory, requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Definitive Registered Note representing it) or Coupon is presented for payment; or

(c) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days; or

(d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000, on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(e) (except in the case of Registered Notes) presented for payment by or on behalf of a Noteholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union;

(f) any Taxes imposed by or required to be withheld under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code");

(g) any Taxes required to be withheld as a result of payment on the Notes being treated as a "dividend equivalent" within the meaning of Section 871(m) of the Code; or

(h) for Taxes imposed other than by way of withholding or deduction.

As used in these Conditions, "Relevant Date" in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if the full amount of the money payable has not been received by the Trustee or the Principal Paying Agent on or prior to such due date) the date on which notice is duly given to the Noteholders in accordance with Condition 18 that such moneys have been so received and are available for payment. References in these Conditions to "principal" shall be deemed to include "Amortized Face Amount", "Final Redemption Amount", "Optional Redemption Amount" and "Early Redemption Amount" and any premium payable in respect of the Notes and any reference to "principal" and/or "interest" shall be deemed to include any additional amounts which may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

9. Events of Default

If any of the events set out in this Condition 9 occurs the Trustee at its discretion may in respect of the Notes of any Series, and (i) in the case of an event set forth in paragraphs (a), (d), (e), (f), (g) or (h) of this Condition 9, if so requested by holders of at least 25 per cent and (ii) in the case of an event set forth in paragraphs (c), (i), (j), (k), (1) or (m) of this Condition 9, if so requested by holders of at least one-third, in nominal amount of the Notes of such Series then outstanding, or, in any case, if so directed by an Extraordinary Resolution of Noteholders of such Series shall, (subject in each case to being indemnified and/or secured and/or prefunded to its reasonable satisfaction) give notice to the Issuer that the Notes of such Series are, and they shall immediately become, due and payable at the Early Redemption Amount specified on such Notes or, if none is so specified, at the nominal amount specified on such Notes together with accrued interest to the date of redemption or, in relation to Zero Coupon Notes, the Amortized Face Amount of such Zero Coupon Notes:

(a) *Non-payment:* subject to the provisions of Conditions 15(a)(vi), 15(b) and 15(c), the Issuer fails to pay any principal of, any premium on or interest on any of the Notes when due and payable and, in respect of any premium or interest on any of the Notes such failure continues for a period of 7 days; or

(b) *Breach of Other Obligations:* the Issuer does not perform or breaches any covenant of the Issuer set out in the Trust Deed (other than a covenant a default in whose performance or whose breach is specifically provided for elsewhere in this Condition or which has been expressly included in the Trust Deed solely for the benefit of Notes other than the Notes of such Series), and such default or breach continues for a period of 60 days after there has been given, by registered or certified mail, to the Issuer by the Trustee or to the Issuer and the Trustee by the Noteholders of at least 20 per cent in nominal amount of the outstanding Notes of such Series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(c) *Cross Default:* the Issuer defaults under any note, bond, debenture, security or other evidence of indebtedness for money borrowed by the Issuer (including a default with respect to the Notes of any Series other than such Series) or any Subsidiary, having an aggregate principal amount outstanding of at least U.S.$40,000,000, or under any mortgage, trust deed or instrument (including the Trust Deed) under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by the Issuer or any Subsidiary having an aggregate principal amount outstanding of at least U.S.$40,000,000, whether such indebtedness now exists or shall hereafter be created, which default: (i) shall constitute a failure to pay any portion of the principal of such indebtedness when due and payable after the expiration of any applicable grace period with respect thereto or (ii) shall have resulted in such indebtedness becoming or being declared due and payable, without, in the case of Clause (ii), such indebtedness having been discharged or such acceleration having been rescinded or annulled, in each such case within a period of 10 days after there shall have been given, by registered or certified mail, to the Issuer by the Trustee or to the Issuer and the Trustee by the Noteholders of at least 10 per cent. in nominal amount of the outstanding Notes of such Series a written notice specifying such default and requiring the Issuer or any Subsidiary to cause such indebtedness to be discharged or cause such acceleration to be rescinded or annulled, as the case may be, and stating that such notice is a "Notice of Default" hereunder; or

(d) *Winding-up:* a court of competent jurisdiction shall appoint a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Issuer or a Material Subsidiary for any material part of the property of the Issuer taken as a whole with its Subsidiaries, or shall order the winding-up or liquidation of the affairs of the Issuer or a Material Subsidiary; or a resolution is passed for the winding-up or dissolution of the Issuer or a Material Subsidiary; or

(e) *Bankruptcy:* the Issuer or a Material Subsidiary shall commence a voluntary case under any applicable bankruptcy, reorganization, insolvency or other similar law now or hereafter in effect (otherwise than for the purposes of a reconstruction or amalgamation while the Issuer or such Material Subsidiary is solvent if such reconstruction or amalgamation is undertaken for purposes unrelated to seeking relief from creditors, the composition or readjustment of debts, and assignments for the benefit of creditors), or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Issuer or a Material Subsidiary or for any material part of the property of the Issuer (taken as a whole with its Subsidiaries), or make any general assignment for the benefit of the creditors of the Issuer or a Material Subsidiary; or

(f) *Judgment:* a final judgment or judgments for the payment of money shall have been entered by a court of competent jurisdiction against the Issuer or any Subsidiary and remains undischarged for a period (during which execution shall not be effectively stayed) of 60 days, provided that the aggregate amount of all such judgments at any time outstanding (to the extent not paid or to be paid by insurance) exceeds U.S.$40,000,000 or the equivalent thereof in any combination of currencies; or

(g) *Enforcement Proceedings:* a distress, attachment, execution, seizure before judgment or other legal process is levied or enforced upon or sued out against all or a material part of the property of the Issuer (taken as a whole with its Subsidiaries) and is not discharged or stayed within 30 days of having been so levied, enforced or sued out; or

(h) *Ownership:* Banco Santander, S.A. ceases to own, directly or indirectly, any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interests in (however designated) equity of the Issuer (including any of any class or classes (however designated) which are preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation of the Issuer, over shares of any other class of the Issuer, but excluding any debt securities convertible in such equity) representing at least 51 per cent of the total voting power of the voting stock being all classes of shares or other interests (including partnership interests) of the Issuer then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustee thereof, of the Issuer; or

(i) *Moratorium:* an agreement upon or declaration of a moratorium in respect of the payment of any Relevant Debt of the Issuer or any of its Material Subsidiaries is reached or made; or

(j) *Nationalization:* any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalization of all or (in the reasonable opinion of the Trustee) a material part of the assets of the Issuer (taken as a whole with its Subsidiaries); or

(k) *Authorizations* and Consents: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, the Coupons and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable or (iii) to make the Notes, the Coupons and the Trust Deed admissible in evidence in the courts of Brazil is not taken, fulfilled or done; or

(l) *Illegality:* it becomes unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or

(m) *Analogous Events:* any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d), (e), (f) or (g);

provided that in the case of paragraphs (b), (f), (g), (k) and (1) and, in the case of Subsidiaries only, paragraphs (d) and (e), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

10. Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date in respect thereof.

11. Meetings of Noteholders, Modification and Waiver

(a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Notes of such Series (including these Conditions insofar as the same may apply to such Notes). Such a meeting may be convened by the Issuer or the Trustee, and the Trustee (subject to being indemnified to its satisfaction against all costs and expenses thereby occasioned) shall convene such a meeting upon written request of Noteholders holding not less than 10 per cent in nominal amount of the Notes of the relevant Series for the time being outstanding. The quorum for any meeting to consider an Extraordinary Resolution will be two or more persons holding or representing in aggregate more than 50 per cent in nominal amount of the Notes of the relevant Series for the time being outstanding, or at any adjourned meeting two or more persons holding or representing holders of Notes of the relevant Series whatever the nominal amount of the Notes of the relevant Series held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes of any Series or any date for payment of interest thereon, (ii) to reduce or cancel the nominal amount, Final Redemption Amount, Optional Redemption Amount or Early Redemption Amount (if any) of the Notes of any Series, (iii) to reduce the rate or rates of interest in respect of the Notes of any Series or to vary the method or basis of calculating the rate or rates or amount of interest, (iv) if there is specified on the Notes of any Series a Minimum Rate of Interest and/or a Maximum Rate of Interest, to reduce such Minimum Rate of Interest and/or such Maximum Rate of Interest, (v) to change the method of calculating the Amortized Face Amount (if any) of any Series, (vi) to change the currency or currencies of payment of the Notes of any Series or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders of any Series or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent, or at any adjourned meeting not less than 25 per cent, in nominal amount of the Notes of the relevant Series for the time being outstanding. An "Extraordinary Resolution" is defined in the Trust Deed to mean a resolution passed at a meeting of Noteholders duly convened and held in accordance with the provisions of the Trust Deed by a majority of at least 75 per cent of the votes cast. A written resolution of holders of not less than 75 per cent in nominal amount of the Notes of the relevant Series for the time being outstanding shall take effect as an Extraordinary Resolution for all purposes. Any Extraordinary Resolution duly passed shall be binding on all holders of Notes of the relevant Series (whether or not they were present or represented at the meeting at which such resolution was passed) and on all Couponholders (if any).

(b) *Modification*, *Waiver and Determination:* The Trustee and the Issuer may, without the consent of the Noteholders or Couponholders, (i) agree to any modification of any of the provisions of the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error and (ii) agree to any other modification (except as mentioned in the Trust Deed), and any waiver or authorization of any breach or proposed breach, of any of the provisions of the Trust Deed and the Trustee may, without the consent of the Noteholders or Couponholders, subject as provided in the Trust Deed, determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) will not be treated as such, provided that any such modification referred to in (ii) above or any waiver or determination is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorization or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 18 as soon as practicable.

(c) *Entitlement of the Trustee:* In connection with the exercise of its functions (including but not limited to those referred to in this Condition 11) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders, or the Noteholders or Couponholders in respect of Notes of any particular Tranche or Series, and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders.

12. Enforcement

At any time after the Notes of any Series become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 20 per cent in nominal amount of the Notes of such Series outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its reasonable satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee and its parent, subsidiaries and affiliates are entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

14. Replacement of Bearer Notes, Coupons, Talons and Definitive Registered Notes

If any Bearer Note, Coupon, Talon or Definitive Registered Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Paying Agent in London or Luxembourg (in the case of Bearer Notes, Coupons and Talons) or the Transfer Agent in New York City or Luxembourg (in the case of Definitive Registered Notes) subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the taxes and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes, Coupons, Talons or Definitive Registered Notes must be surrendered before replacements will be issued.

15. Foreign Currency Constraint, Sovereign Event and Credit Event

(a) *Foreign Currency Constraint:* If Foreign Currency Constraint Provisions are specified in the relevant Final Terms, then notwithstanding any provisions to the contrary contained herein, the following provisions will apply to the Notes:

(i) If a Foreign Currency Constraint Event (as defined below) shall have occurred, the Issuer shall give to the Trustee and the European Issuing and Paying Agent within two São Paulo Business Days (as defined below) after such event, a certificate signed by two authorized signatories certifying the existence of the Foreign Currency Constraint Event. The Issuer shall, as soon as practicable thereafter, give notice of such certification and its contents in accordance with Condition 18 and shall immediately appoint a Paying Agent with a specified office in the city of São Paulo, Brazil acceptable to the Trustee (for the purposes of this Condition 15, the "São Paulo Paying Agent"). In this event, any Noteholder may, for a period of 30 days after the date of publication of such notice (the "Election Period"), elect to exchange ("Exchange") the Note (the "Original Note") and the related unmatured Coupons (if any) and unexchanged Talons (if any) for an equivalent nominal amount in the Specified Currency of Exchanged Notes (as defined below) and related unmatured Coupons (if any) and unexchanged Talons (if any). To make such election, the holder must deposit the Original Note (together with all related unmatured Coupons (if any) and unexchanged Talons (if any)) with any Paying Agent or, in the case of Registered Notes, any Transfer Agent, together with a duly completed notice of election ("Election Notice") in the form obtainable from any Paying Agent or Transfer Agent, as the case may be, within the Election Period. No Original Note so deposited and election made may be withdrawn without the prior consent of the Issuer. All duly completed and valid Election Notices received by the Paying Agents or Transfer Agents, as the case may be, within the Election Period shall, on receipt, be deemed to have been received on the first day of the Election Period.

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Exchanged Note" means a Note with terms and conditions identical to the terms and conditions of the Original Note for which it was exchanged, save that:

(A) all payments due in respect of such Exchanged Note shall be made by the Issuer, to the extent permitted by Brazilian law, in the lawful currency of Brazil when due (a "Due Date") or, where a Due Date occurs before the date of Exchange (the "Exchange Date"), as soon as practicable after the Exchange Date and without any additional amount in compensation for late payment against presentation (and, if applicable, surrender) of such Exchanged Note or related Coupon in accordance with Condition 7 in the case of Bearer Notes (subject to paragraph (iii) below) and in the case of Registered Notes payment of principal and interest will be made to the person shown on the Register in respect of the Exchanged Notes at the close of business on the date of issue of such Exchanged Notes and in the case of payments of principal, against surrender of the relevant Definitive Registered Note representing the Exchanged Note at the specified office of any Transfer Agent and otherwise in accordance with Condition 7 (subject to paragraph (iii) below);

(B) the amount of any payment due in respect of such Exchanged Note shall be that amount in the lawful currency of Brazil, as determined by the São Paulo Paying Agent, having regard to the provisions of this Condition 15(a), which would be required to purchase the amount of such payment in the Specified Currency at the rate of exchange on the São Paulo Business Day immediately prior to the Due Date (or, where the Due Date precedes the Exchange Date, on the São Paulo Business Day immediately prior to the date of payment) (A) if the Specified Currency is U.S. dollars, as shown on the Brazilian Central Bank computer information system under the title "SISBACEN PTAX-800, Option 5-L" or (B) if the Specified Currency is a currency other than U.S. dollars, at the corresponding rate for the applicable Specified Currency (the "Corresponding Rate"), the source of which Corresponding Rate will be specified in the applicable Final Terms. If no such rate of exchange is available, the applicable rate of exchange shall be an average of the Brazilian currency exchange rates on such São Paulo Business Day for the purchase of the Specified

Currency notified to the São Paulo Paying Agent by three leading Brazilian banks selected by the São Paulo Paying Agent in its discretion; and

(C) all payments in respect of the Exchanged Note shall be made by transfer to a Brazilian currency account maintained by the payee with a branch in São Paulo, Brazil.

"Foreign Currency Constraint Event" means any law, regulation, directive or communication imposed or issued by the Brazilian government or the Brazilian Central Bank or any other competent authority in Brazil imposing foreign exchange controls or other restrictions or any refusal to act or delay in acting by any such party, which has the effect of prohibiting, preventing or delaying the remittance of the Specified Currency (whether in respect of principal, interest, additional amounts payable pursuant to these Conditions or otherwise) to or by the Principal Paying Agent in respect of the Original Notes when due.

"São Paulo Business Day" means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets, are open for business in the city of São Paulo, Brazil.

(ii) On termination of the Foreign Currency Constraint Event, Exchanged Notes shall be exchanged for an equivalent amount of Original Notes provided that, prior to such exchange, all payments due in respect of the Original Notes and such Exchanged Notes shall have been made by the Issuer. Such exchange shall be effected by the holders of Exchanged Notes presenting and surrendering such Exchanged Notes (together with all unmatured Coupons and unexchanged Talons (if any)) at any time after such termination at the specified office of any Paying Agent or Transfer Agent and, in respect of Registered Notes, the Registrar making the relevant entries in the Register relating to the Original Notes and the Exchanged Notes.

(iii) During the period in which a Foreign Currency Constraint Event is in effect, the Issuer shall take such steps as are legal under the laws and regulations of Brazil to make payments in respect of Original Notes not exchanged for Exchanged Notes (if any) in the Specified Currency from Brazil as promptly as such laws and regulations permit.

(iv) Notwithstanding anything in this Condition 15(a) to the contrary, during the period in which a Foreign Currency Constraint Event is in effect, any payments of principal of (but not interest on) the Original Notes which are not paid by reason of the imposition of such Foreign Currency Constraint Event shall bear interest in the Specified Currency at the rate of interest until the Foreign Currency Constraint Event is eliminated or, if earlier, such sums are duly paid in full, provided that the Issuer complies at all times with its obligations set forth in this Condition 15(a).

(v) Notwithstanding anything in this Condition 15(a) to the contrary, no Noteholder or Couponholder shall be precluded by this Condition 15(a) from presenting any Note or Coupon for payment at a time when a Foreign Currency Constraint Event is in effect.

(vi) It shall not be an Event of Default under these Conditions to the extent that any Event of Default described in Condition 9(a) and 9(1) (but solely with respect to payment obligations) shall have occurred with respect to the Issuer solely as a result of a Foreign Currency Constraint Event, provided that the Issuer shall have fully complied with its obligations under this Condition 15(a). The Issuer shall not be in breach of any payment obligation in the Specified Currency relating to the Notes or the Coupons (if any) to the extent payment in the Specified Currency is not made by reason solely of such Foreign Currency Constraint Event; and no Noteholder or Couponholder shall be entitled to take action against the Issuer to enforce any rights against the Issuer which such Noteholder or Couponholder would, but for the provisions of this Condition 15(a), have had in respect of such payment.

(b) *Sovereign Event:* If Sovereign Event Provisions are specified in the relevant Final Terms, then notwithstanding any provisions to the contrary contained herein, the following provisions will apply to the Notes:

(i) In the event that, on or prior to any Interest Payment Date, the Maturity Date, or earlier redemption date, as the case may be, of any Note, the Government of Brazil, its agencies, instrumentalities or entities (including the Brazilian Central Bank, the National Monetary Council of Brazil or any other competent authority in Brazil) by means of any law, regulation, ruling, directive, interpretation or communication, whether or not having the force of law, takes any action (a "Governmental Action") which legally or de facto, (x) modifies or changes, in the sole opinion of the Issuer, any of the material terms of any of the Governmental Obligations (as defined below); or (y) results in the non-payment of any of the Governmental Obligations when originally due (any such occurrence in clauses (x) or (y) being a "Sovereign Event"), then the Issuer shall give to the Trustee and the European Issuing and Paying Agent within five São Paulo Business Days of the occurrence of a Sovereign Event, a certificate signed by two authorized signatories of the Issuer certifying the existence of the Sovereign Event and which may, if the Issuer so specifies in such certificate, constitute irrevocable notice of the Issuer's intention to exercise its option to redeem all of the Series of the Notes subject to the Sovereign Event provisions. The Issuer shall, as soon as practicable thereafter, give notice of such certification and its contents in accordance with Condition 18. All Notes in respect of which the Issuer exercises its option to redeem shall be redeemed in accordance with sub-paragraph (ii)(A) below on the date specified in such notice which shall be not less than 14 days nor more than 45 days from the date such notice is given.

(ii) If a Governmental Action occurs on or prior to any Interest Payment Date, Maturity Date, or earlier redemption date, as the case may be:

(A) the obligation of the Issuer to pay interest under Condition 5 falling due on such Interest Payment Date, Maturity Date, or earlier redemption date, as the case may be, including interest that is accrued prior to the Governmental Action, is terminated; and

(B) the Issuer may, at its option, deliver to or to the order of the holders (to the extent and in the manner permitted by applicable law) on the Maturity Date or earlier redemption date, as the case may be, at the São Paulo Paying Agent (or such other bank in São Paulo, Brazil as the Issuer shall determine or such other paying agent appointed for such purpose and specified in the applicable Final Terms and notified to the holders), (x) the Governmental Obligations specified in the applicable Final Terms or, if no Governmental Obligations are so specified, an amount of Governmental Obligations selected by the Issuer in its sole discretion due and payable as of or prior to the Maturity Date pursuant to terms and conditions in existence prior to the Sovereign Event, in a face amount equivalent to the outstanding nominal amount or an amount calculated in accordance with Condition 6(d), as the case may be, due in respect of the Notes (provided, however, that if the Governmental Obligations are denominated in a currency different than the Specified Currency, then for the purpose of determining the face amount equivalent to the outstanding nominal amount, such amount will be determined as follows: (i) if the Governmental Obligations are denominated in *reais*, the outstanding nominal amount shall be converted to *reais* at the foreign exchange commercial rate based on the sale rate for converting *reais* into the Specified Currency shown on the Brazilian Central Bank computer information system under the title "SISBACEN PTAX-800, Option 5" on the São Paulo Business Day prior to the Maturity Date, or earlier redemption date, as the case may be (or, if no such rate is available, the rate determined by the Issuer in its sole discretion on the São Paulo Business Day prior to the Maturity Date, or earlier redemption date, as the case may be), and (ii) if the Governmental Obligations are denominated in a currency other than *reais*, the outstanding nominal amount shall be converted to such currency at the foreign exchange commercial rate specified in the applicable Final Terms); or (y) the *Reais* Amount (as defined below); whereupon the Issuer's obligations under the Notes shall be deemed fully satisfied and discharged.

The Issuer shall notify the European Issuing and Paying Agent, the Principal Paying Agent, the Trustee and the holders of the Notes of its decision to exercise its option to deliver Governmental Obligations or *reais*, as the case may be, in accordance with this Condition 15(b). Failure by the Issuer to deliver any such certificate or notice will not prejudice the rights and obligations of the Issuer or the holders hereunder.

In this Condition 15(b), unless the context otherwise inquires, the following defined terms shall have the meanings set out below:

"Governmental Obligations" means, in respect of a Note, the debt obligations specified in the applicable Final Terms or, if no Governmental Obligations are so specified, any one or more of the following debt obligations selected by the Issuer in its sole discretion: "Letras do Tesouro Nacional", "Letras Financeira do Tesouro", "Nota do Banco Central, Série Especial" and "Nota do Tesouro Nacional — Série D", in each case as such obligations may be replaced by other obligations as determined by the Issuer in its sole discretion.

"*Reais* Amount" means the market value on the São Paulo Business Day prior to the Maturity Date, or earlier redemption date, as the case may be, of the Governmental Obligations specified in the applicable Final Terms or, if no Governmental Obligations are so specified, such Governmental Obligations selected by the Issuer in its sole discretion which are due and payable as of or prior to the Maturity Date, pursuant to terms and conditions in existence prior to the Sovereign Event, in a face amount equivalent to the outstanding nominal amount or an amount calculated in accordance with Condition 6(d), as the case may be, due in respect of the Notes converted to *reais* at the foreign exchange commercial rate based on the sale rate for converting *reais* into the Specified Currency shown on the Brazilian Central Bank computer information system under the title "SISBACEN PTAX-800, Option 5" on the São Paulo Business Day prior to the Maturity Date, or earlier redemption date, as the case may be (or, if no such rate is available, the rate determined by the Issuer, in its sole discretion, on the São Paulo Business Day prior to the Maturity Date, or earlier redemption date, as the case may be). The market value of the relevant Governmental Obligations shall be determined by the Issuer, in its sole discretion, having regard to such factors as may be determined by the Issuer, in its sole discretion, including, but not limited to, market valuation and settlement conventions and conditions prevailing at the time of its determination, and shall be net of applicable commissions and taxes.

(iii) Each holder will be required to make such arrangements as it deems appropriate, at its own cost and risk, in order to receive payments in *reais* or the delivery of the Governmental Obligations, as the case may be. In order for the holder of a Note to receive payments in *reais* or the delivery of the Governmental Obligations, such Noteholder must deposit (in the case of Bearer Notes) such Note (together with all Coupons relating thereto) with any Paying Agent or (in the case of Registered Notes) the Definitive Registered Note representing such Note with any Transfer Agent, together with a duly completed transfer notice (a "Transfer Notice") in the form obtainable from any Paying Agent or any Transfer Agent, as the case may be, on or after the date of the Issuer's giving notice of certification of its decision to exercise its option to deliver Governmental Obligations or *reais*, as the case may be, in accordance with this Condition 15(b) and at least three São Paulo Business Days prior to the Maturity Date or earlier redemption date, as the case may be. No Note or Definitive Registered Note and Transfer Notice so deposited may be withdrawn. The provision of such information to the São Paulo Paying Agent less than three São Paulo Business Days prior to the Maturity Date or earlier redemption date, as the case may be, may result in such payment or delivery being made after the due date and the Noteholder shall not be entitled to any interest in respect of such delayed payment

(iv) If by reason of the imposition of a Sovereign Event (and notwithstanding the Issuer having elected to deliver Governmental Obligations as provided herein) the Issuer is prevented legally or de facto from delivering to the holders the Governmental Obligations to be delivered, or intended to be delivered, in respect of the Notes, then the obligation of the Issuer to make such delivery shall be suspended until the Issuer is no longer prevented from making such delivery. The holders will not be entitled to receive payment of interest or any other amount in respect of any such suspension or in respect of any delay in receiving the Governmental Obligations deliverable in respect of the Notes (other than any interest that may have accrued and been paid with respect to such Governmental Obligations during or with respect to the period of such suspension) or take any other action.

(v) If Foreign Currency Constraint provisions are also specified in the relevant Final Terms, then the provisions of Condition 15(a) shall continue to apply to amounts payable (if any) in respect of the Notes in the Specified Currency.

(vi) In the event the Notes are not redeemed, the Issuer shall, as soon as practicable, notify the European Issuing and Paying Agent, the Principal Paying Agent, the Trustee and the holders of any termination of a Sovereign Event.

(vii) Upon the occurrence of a Sovereign Event and the delivery by the Issuer of Governmental Obligations or *reais* in accordance with this Condition 15(b), the Issuer shall not be required to gross up for any Taxes payable by the Issuer in respect of the transfer, holding, sale or redemption of the relevant Governmental Obligations.

(c) *Credit Event:* If Credit Event Provisions are specified in the relevant Final Terms, then notwithstanding any provisions to the contrary contained herein, the following provisions will apply to the Notes:

(i) In the event that, on or prior to any Interest Payment Date, the Maturity Date, or earlier redemption date, as the case may be, of any Note, (x) a court of competent jurisdiction shall appoint a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of any Reference Obligor for any material part of the property or assets of such Reference Obligor, or shall order the winding-up or liquidation of the affairs of any Reference Obligor, or a resolution is passed for the winding-up or dissolution of any Reference Obligor; (y) any Reference Obligor shall commence a voluntary case under any applicable bankruptcy, reorganization, insolvency or other similar law now or hereafter in effect (otherwise than for the purposes of a reconstruction or amalgamation while the relevant Reference Obligor is solvent if such reconstruction or amalgamation is undertaken for purposes unrelated to seeking relief from creditors, the composition or readjustment of debts, and assignments for the benefit of creditors), or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the relevant Reference Obligor or for any material part of the property of the relevant Reference Obligor (taken as a whole with its Subsidiaries), or make any general assignment for the benefit of the creditors of a Reference Obligor; or (z) any Reference Obligor takes any action (any such occurrence in clauses (x), (y) or (z) being a "Credit Action") which legally or de facto results in the non-payment of any of the Credit Obligations when originally due (any such occurrence being a "Credit Event"), then the Issuer shall give to the Trustee and the European Issuing and Paying Agent within five São Paulo Business Days of the occurrence of a Credit Event, a certificate signed by two authorized signatories of the Issuer certifying the existence of the Credit Event and which may, if the Issuer so specifies in such certificate, constitute irrevocable notice of the Issuer's intention to exercise its option to redeem all of the Series of the Notes subject to the Credit Event provisions. The Issuer shall, as soon as practicable thereafter, give notice of such certification and its contents in accordance with Condition 18. All Notes in respect of which the Issuer exercises its option to redeem shall be redeemed in accordance with sub-paragraph (ii)(A) below on the date specified in such notice which shall be not less than 14 days nor more than 45 days from the date such notice is given.

(ii) If a Credit Action occurs on or prior to any Interest Payment Date, Maturity Date, or earlier redemption date, as the case may be:

(A) the obligation of the Issuer to pay interest under Condition 5 falling due on such Interest Payment Date, Maturity Date, or earlier redemption date, as the case may be, including interest that is accrued prior to the Credit Action, is terminated; and

(B) the Issuer may, at its option, deliver to or to the order of the holders (to the extent and in the manner permitted by applicable law) on the Maturity Date or earlier redemption date, as the case may be, at the São Paulo Paying Agent (or such other bank in São Paulo, Brazil as the Issuer shall determine or such other paying agent appointed for such purpose and specified in the applicable Final Terms) and notified to the holders, (x) the Credit Obligations specified in the applicable Final Terms or, if no Credit Obligations are so specified, an amount of Credit Obligations selected by the Issuer in its sole discretion due and payable as of or prior to the Maturity Date pursuant to terms and conditions in existence prior to the Credit Event, in a face amount equivalent to the outstanding nominal amount or an amount calculated in accordance with Condition 6(d), as the case may be, due in respect of the Notes (provided, however, that if the Credit Obligations are denominated in a currency different than the Specified Currency, then for the purpose of determining the face amount equivalent to the outstanding nominal amount, such amount will be determined as follows: (i) if the Credit Obligations are denominated in *reais*, the outstanding nominal amount shall be converted to *reais* at the foreign exchange commercial rate based on the sale rate for converting *reais* into the Specified Currency shown on the Brazilian Central Bank computer information system under the title "SISBACEN PTAX-800, Option 5" on the São Paulo Business Day prior to the Maturity Date, or earlier redemption date, as the case may be (or, if no such rate is available, the rate determined by the Issuer in its sole discretion on the São Paulo Business Day prior to the Maturity Date, or earlier redemption date, as the case may be), and (ii) if the Credit Obligations are denominated in a currency other than *reais*, the outstanding nominal amount shall be converted to such currency at the foreign exchange commercial rate specified in the applicable Final Terms); or (y) the *Reais* Amount (as defined below); whereupon the Issuer's obligations under the Note shall be deemed fully satisfied and discharged.

The Issuer shall notify the European Issuing and Paying Agent, the Principal Paying Agent, the Trustee and the holders of the Notes of its decision to exercise its option to deliver Credit Obligations or *reais*, as the case may be, in accordance with this Condition 15(c). Failure by the Issuer to deliver any such certificate or notice will not prejudice the rights and obligations of the Issuer or the holders hereunder.

In this Condition 15(c), unless the context otherwise inquires, the following defined terms shall have the meanings set out below:

"Credit Obligations" means, in respect of a Note, the credit obligations specified in the applicable Final Terms or, if no Credit Obligations are so specified, any one or more of the credit obligations of the Reference Obligor specified in the applicable Final Terms as selected by the Issuer in its sole discretion, in each case as such obligation may be replaced by other obligations of the Reference Obligor as determined by the Issuer in its sole discretion.

"*Reais* Amount" means the market value on the São Paulo Business Day prior to the Maturity Date, or earlier redemption date, as the case may be, of the Credit Obligations specified in the applicable Final Terms or, if no Credit Obligations are so specified, such Credit Obligations selected by the Issuer in its sole discretion which are due and payable as of or prior to the Maturity Date, pursuant to terms and conditions in existence prior to the Credit Event, in a face amount equivalent to the outstanding nominal amount or an amount calculated in accordance with Condition 6(d), as the case may be, due in respect of the Notes converted to *reais* at the foreign exchange commercial rate based on the sale rate for converting *reais* into the Specified Currency shown on the Brazilian Central Bank computer information system under the title "SISBACEN PTAX-800, Option 5" on the São Paulo Business Day prior to the Maturity Date, or earlier redemption date, as the case may be (or, if no such rate is available, the rate determined by the Issuer, in its sole discretion, on the São Paulo Business Day prior to the Maturity Date, or earlier redemption date, as the case may be). The market value of the relevant Credit Obligations shall be determined by the Issuer, in its sole discretion, having regard to such factors as may be determined by the Issuer, in its sole discretion, including, but not limited to, market valuation and settlement conventions and conditions prevailing at the time of its determination, and shall be net of applicable commissions and taxes.

"Reference Obligor" means, in respect of a Note, the reference obligor specified in the applicable Final Terms.

(iii) Each holder will be required to make such arrangements as it deems appropriate, at its own cost and risk, in order to receive payments in *reais* or the delivery of the Credit Obligations, as the case may be. In order for the holder of a Note to receive payments in *reais* or the delivery of the Credit Obligations, such Noteholder must deposit (in the case of Bearer Notes) such Note (together with all Coupons relating thereto) with any Paying Agent or (in the case of Registered Notes) the Definitive Registered Note representing such Note with any Transfer Agent, together with a duly completed transfer notice (a "Transfer Notice") in the form obtainable from any Paying Agent or any Transfer Agent, as the case may be, on or after the date of the Issuer's giving notice of certification of its decision to exercise its option to deliver Credit Obligations or *reais*, as the case may be, in accordance with this Condition 15(c) and at least three São Paulo Business Days prior to the Maturity Date or earlier redemption date, as the case may be. No Note or Definitive Registered Note and Transfer Notice so deposited may be withdrawn. The provision of such information to the São Paulo Paying Agent less than three São Paulo Business Days prior to the Maturity Date or earlier redemption date, as the case may be, may result in such payment or delivery being made after the due date and the Noteholder shall not be entitled to any interest in respect of such delayed payment.

(iv) If by reason of the imposition of a Credit Event (and notwithstanding the Issuer having elected to deliver Credit Obligations as provided herein) the Issuer is prevented legally or de facto from delivering to the holders the Credit Obligations to be delivered, or intended to be delivered, in respect of the Notes, then the obligation of the Issuer to make such delivery shall be suspended until the Issuer is no longer prevented from making such delivery. The holders will not be entitled to receive payment of interest or any other amount in respect of any such suspension or in respect of any delay in receiving the Credit Obligations deliverable in respect of the Notes (other than any interest that may have accrued and been paid with respect to such Credit Obligations during or with respect to the period of such suspension) or take any other action.

(v) If Foreign Currency Constraint provisions are also specified in the relevant Final Terms, then the provisions of Condition 15(a) shall continue to apply to amounts payable (if any) in respect of the Notes in the Specified Currency.

(vi) In the event the Notes are not redeemed, the Issuer shall, as soon as practicable, notify the European Issuing and Paying Agent, the Principal Paying Agent, the Trustee and the holders of any termination of a Credit Event.

(vii) Upon the occurrence of a Credit Event and the delivery by the Issuer of Credit Obligations or *reais* in accordance with this Condition 15(c), the Issuer shall not be required to gross up for any Taxes payable by the Issuer in respect of the transfer, holding, sale or redemption of the relevant Credit Obligations.

16. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes of any Series in all respects (or in all respects except for the first payment of interest on them) so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes of any Series). References in these Conditions to the Notes of any Series include (unless the context requires otherwise) any other securities issued pursuant to this Condition 16 and forming a single series with the Notes of such Series. Any further securities forming a single series with the outstanding securities of any series (including the Notes of any Series) constituted under the Trust Deed, or any deed supplemental to it, shall be constituted under a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders of a Series and the holders of securities of other series (including the Notes of any other Series) where the Trustee so decides.

17. Agents

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holders.

18. Notices

Notices to holders of Registered Notes will be mailed to them at their respective addresses in the Register and shall be published (so long as the Notes are admitted to listing on Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange and the rules of that exchange so require), either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a daily newspaper with general circulation in Luxembourg (which is expected to be *Luxemburger Wort*). Any such notice shall be deemed to have been given on the later of the date of such publication and the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes will be valid if published in a daily newspaper having general circulation in London and (so long as the Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange and the rules of that exchange so require) either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a daily newspaper with general circulation in Luxembourg or, if in the opinion of the Trustee any such publication is not practicable, in another leading daily English language newspaper having general circulation in Europe approved by the Trustee). It is expected that such publication will be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. Notices will, if published more than once in the same manner, be deemed to have been given on the date of the first publication in both such newspapers as provided above and will, if published more than once on different dates or in a different manner, be deemed to have been given on the date of the last publication in both such newspapers as provided above. So long as any Notes are represented by a Global Note and such Global Note is held on behalf of one or more clearing systems, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange or in a leading newspaper having general circulation in Luxembourg or London.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Notes in accordance with this Condition 18.

19. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

20. Governing Law and Jurisdiction

(a) *Governing Law:* The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction:* The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Coupons, the Talons or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Coupons, the Talons or the Trust Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Coupons, the Talons or the Trust Deed) ("Proceedings") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) *Agent for Service of Process:* The Issuer has in the Trust Deed appointed an agent in England to receive service of process in any Proceedings in England. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

BOOK-ENTRY; DELIVERY AND FORM

General

Unless otherwise specified in the applicable Final Terms, the Notes shall be represented initially by one or more Notes in global form (collectively, the "Global Notes").

Registered Notes shall be represented initially by one or more Global Notes in registered form, without Coupons, which shall be either DTC Global Notes (as defined below) or an International Global Note Certificate (as defined below), as specified in the applicable Final Terms. In the case of Notes represented by one or more DTC Global Notes, the DTC Unrestricted Global Note (as defined below) and the DTC Restricted Global Note (as defined below) will be registered in the name of DTC, as depositary, or a successor or nominee thereof, and deposited on behalf of the purchasers thereof with a custodian for DTC. Beneficial interests in the DTC Restricted Global Note and DTC Unrestricted Global Note shall be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Purchasers of Notes may elect to hold interests in the DTC Restricted Global Note and the DTC Unrestricted Global Note through any of DTC (in the United States), Clearstream, Luxembourg, or Euroclear if they are participants in such systems or indirectly through organizations which are participants in such systems. In the case of Notes represented by an International Global Note Certificate, such International Global Note Certificate will be deposited with a Common Depositary for and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg for credit to the respective accounts of beneficial owners of the Notes represented thereby.

Bearer Notes shall be represented initially by a temporary Global Note in bearer form, without Coupons (a "Temporary Global Note"), which shall be deposited with a Common Depositary for Clearstream, Luxembourg, and Euroclear, unless otherwise specified in the applicable Final Terms. Beneficial interests in such Temporary Global Note shall be exchangeable for beneficial interests in a Permanent Global Note, in an equal aggregate nominal amount, not earlier than 40 days after the applicable closing date upon certification of non-U.S. ownership, as set forth in the Trust Deed, to the effect that the holder is (i) not a U.S. person, (ii) (A) a non-U.S. branch of a U.S. financial institution (as defined in U.S. Treasury regulations Section 1.165-12(c)(l)(iv)) purchasing for its own account or for resale or (B) a U.S. person who acquired Notes through a non-U.S. branch of a U.S. financial institution and who holds the Notes through such financial institution on the date of such certification (and, in each case (A) or (B), that the financial institution agrees to comply with the requirements of section 165(j)(3)(A), (B) or (C) of the U.S. Internal Revenue Code and the U.S. Treasury regulations thereunder) or (iii) a financial institution that acquired Notes for purposes of resale during the restricted period (as defined in U.S. Treasury regulations Section 1.163-5(c)(2)(i)(D)(7)), and such financial institution certifies that it has not acquired the Notes for purposes of resale directly or indirectly within the United States or its possessions or to a U.S. person. A financial institution, whether or not described in (i) or (ii) above, that purchases Notes for purposes of resale during the restricted period may only give the certification described in (iii) above.

Except in the limited circumstances described below or as otherwise set forth in the applicable Final Terms, owners of beneficial interests in the Global Notes shall not be entitled to receive Notes in definitive form. See "—Registered Global Notes—Book-Entry System."

In the United States securities market, unless otherwise agreed between the Issuer and the relevant dealer or dealers, settlement of all trades of Notes will occur on the basis of the trade date plus three days ("T+3").

Registered Notes may be issued in the form of one or more Global Notes in an aggregate nominal amount equal to the nominal amount of the Notes of such Series, which shall be exchangeable in the limited circumstances described below for Notes in the form of Definitive Registered Notes ("Definitive Registered Notes"). See"—Registered Global Notes—Book-Entry System."

Bearer Notes will initially be issued in the form of a Temporary Global Note, without Coupons, in an initial aggregate nominal amount equal to the principal amount of the Notes of such Series not initially sold to U.S. persons, which shall be exchangeable as described below.

Registered Global Notes

DTC Global Notes

Notes that are sold in reliance on Rule 144A will be represented by a DTC Restricted Global Note (a "DTC Restricted Global Note"), unless otherwise specified in the applicable Final Terms. A DTC Restricted Global Note (and any Notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement and will bear the legend regarding such restrictions described under "Transfer Restrictions."

Registered Notes that are sold outside the United States in reliance on Regulation S will be represented by a DTC Unrestricted Global Note (a "DTC Unrestricted Global Note"), unless otherwise specified in the applicable Final Terms. On or prior to the 40th day after the later of the commencement of the offering and the date of delivery of the Notes represented by a DTC Unrestricted Global Note, a beneficial interest therein may be transferred to a person who takes delivery in the form of an interest in a DTC Restricted Global Note of the same Series, but only upon receipt by the Registrar of a written certification from the transferor (in the form provided in the Agency Agreement) to the effect that such transfer is being made to a person who the transferor reasonably believes is purchasing for its own account or accounts as to which it exercises sole investment discretion and that such person and each such account is a QIB within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any State of the United States or any other jurisdiction. After such 40th day, such certification requirement will no longer apply to such transfers. Beneficial interests in a DTC Restricted Global Note may be transferred to a person who takes delivery in the form(s) of an interest in a DTC Unrestricted Global Note of the same Series, whether before, on or after such 40th day, but only upon receipt by the Registrar of a written certification from the transferor (in the form provided in the Agency Agreement) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 and that, if such transfer occurs on or prior to such 40th day, the interest transferred will be held immediately thereafter through Euroclear or Clearstream, Luxembourg. Any beneficial interest in a DTC Global Note that is transferred to a person who takes delivery in the form of an interest in another DTC Global Note of the same Series will, upon transfer, cease to be an interest in the former DTC Global Note, will become an interest in the latter DTC Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the latter DTC Global Note for as long as it remains such an interest.

Book-Entry System

Upon the issuance of a DTC Global Note, DTC or its custodian will credit, on its internal system, the respective nominal amount of the individual beneficial interests represented by such DTC Global Note to the accounts of persons who have accounts with DTC. Ownership of beneficial interests in a DTC Global Note will be limited to persons who have accounts with DTC (including Euroclear and Clearstream, Luxembourg, in the case of a DTC Unrestricted Global Note), or persons who hold interests through participants. Ownership of beneficial interests in the DTC Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants), which may include Euroclear and Clearstream, Luxembourg, in the case of a DTC Unrestricted Global Note, as described below.

So long as DTC or its nominee is the registered holder of a DTC Global Note, DTC or such nominee, as the case may be, will be considered the sole owner and holder of the Notes represented by such DTC Global Note for all purposes under the Trust Deed, the Agency Agreement and the Notes. Unless DTC notifies the Issuer that it is unwilling or unable to continue as depositary for such Note, or ceases to be a "Clearing Agency" registered under the Exchange Act, or an Event of Default has occurred and is continuing with respect to such Note, owners of beneficial interests in such DTC Global Note will not be entitled to have any portions of such DTC Global Note registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive form and will not be considered the owners or holders of such DTC Global Note (or any Notes represented thereby) under the Trust Deed, the Agency Agreement or the Notes. If DTC is at any time unwilling or unable to continue as a depositary and a successor depositary is not appointed by the Issuer within 90 days, the Issuer will (i) issue Restricted Definitive Registered Notes in exchange for the relevant DTC Restricted Global Note and/or (ii) issue an International Global Note Certificate in exchange for the relevant DTC Unrestricted Global Note. In the case of

Restricted Definitive Registered Notes issued in exchange for a DTC Restricted Global Note, such Restricted Definitive Registered Notes will bear, and be subject to, the legend described under "Transfer Restrictions." Except in the limited circumstances described in this paragraph, owners of beneficial interests in a DTC Global Note will not be entitled to receive physical delivery of Definitive Registered Notes. In addition, no beneficial owner of an interest in a DTC Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Agency Agreement and, if applicable, those of Euroclear and Clearstream, Luxembourg).

Investors may hold their interests in a DTC Unrestricted Global Note through Euroclear or Clearstream, Luxembourg, if they are participants in such systems, or indirectly through organizations which are participants in such systems. Beginning 40 days after the later of the commencement of the offering and the date of delivery of the Notes represented by such DTC Unrestricted Global Note (but not earlier), investors may also hold such interests through organizations other than Euroclear and Clearstream, Luxembourg that are participants in the DTC system. Euroclear and Clearstream, Luxembourg will hold interests in a DTC Unrestricted Global Note on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which in turn will hold such interests in customers' securities accounts in the depositaries' names on the books of DTC. Unless otherwise indicated in the applicable Final Terms, Citibank, N.A. will initially act as depositary for Clearstream, Luxembourg, and JPMorgan Chase Bank will initially act as depositary for Euroclear.

Investors may hold their interests in a DTC Restricted Global Note directly through DTC, if they are participants in such system, or indirectly through organizations which are participants in such system.

Payments of the principal of and any premium, interest, and other amounts on any DTC Global Note will be made to DTC or its nominee as the registered owner thereof. Neither the Issuer, the Trustee, the Registrar, the Transfer Agent nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a DTC Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer expects that DTC or its nominee, upon receipt of any payment in respect of a DTC Global Note held by it or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such DTC Global Note as shown on the records of DTC or its nominee. The Issuer also expects that payments by participants to owners of beneficial interests in a DTC Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in accordance with DTC's procedures and will be settled in same day funds. The laws of some States of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a DTC Global Note to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a DTC Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate of such interest. Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described above, cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in any DTC Global Note in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Euroclear participants and

Clearstream, Luxembourg participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a DTC Global Note from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, Luxembourg, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a DTC Global Note settled during such processing day will be reported to the relevant Euroclear or Clearstream, Luxembourg participant on such day. Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in a DTC Global Note by or through a Euroclear or Clearstream, Luxembourg participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day following settlement in DTC.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of a DTC Global Note (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account with DTC interests in such DTC Global Note are credited and only in respect of such portion of the aggregate principal amount of such DTC Global Note as to which such participant or participants has or have given such direction. However, if there is an Event of Default under a DTC Global Note, DTC will exchange such DTC Global Note for legended Notes in definitive form, which it will distribute to its participants.

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Although DTC, Clearstream, Luxembourg, and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the DTC Global Notes among participants of DTC, Clearstream, Luxembourg, and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor the Trustee will have any responsibility for the performance by DTC, Clearstream, Luxembourg, or Euroclear or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If any Series of Notes represented by one or more DTC Global Notes contains a foreign currency constraint provision, as more fully set out in the Terms and Conditions of the Notes and in the applicable Final Terms, upon the occurrence of a Foreign Currency Constraint Event (as defined in the Terms and Conditions of the Notes), notice of such event shall be given to the Noteholders by the Registrar through DTC. Exchanges of interests in the DTC Global Note(s) representing the original Notes for interests in the DTC Global Note(s) representing the Exchanged Notes (as defined in the Terms and Conditions of the Notes) will be made in accordance with the Terms and Conditions of the Notes. The Registrar will prepare one or more DTC Global Notes which will represent the Exchanged Notes and will obtain a new CUSIP and/or CINS number for the Exchanged Notes. The DTC Global Note(s) representing the original Notes and the DTC Global Note(s) representing the Exchanged Notes will be marked down and up, respectively, upon exchange in accordance with the Terms and Conditions of the Notes. Interests in the DTC Global Notes representing the Exchanged Notes will be held in the account of the DTC Participant for the São Paulo Paying Agent on behalf of the Noteholders. Payments in respect of the Exchanged Notes will be made by the São Paulo Paying Agent outside DTC in accordance with the Terms and Conditions of the Notes. Holders of Exchanged Notes may not transfer their interest in such Exchanged Notes except in connection with the termination of the foreign Currency Constraint Event.

On termination of the Foreign Currency Constraint Event, interests in the DTC Global Note(s) representing the Exchanged Notes will be exchanged for interests in the DTC Global Note(s) representing the original Notes and such interests in the DTC Global Note(s) representing the original Notes will be transferred back to the original accounts in DTC from which they were originally transferred, all in accordance with the Terms and

Conditions of the Notes. The DTC Global Note(s) representing the Exchanged Notes will be marked down to zero and the DTC Global Note(s) representing the original Notes will be marked back up to the original aggregate nominal amount of the Series.

International Global Note Certificates

If so specified in an applicable Final Terms, registered Notes sold outside the United States in reliance on Regulation S, which are not part of a Series which is also offered in the United States, may be represented, in whole or in part, by an International Global Note Certificate which will be deposited with a Common Depositary for and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg for credit to the respective accounts of beneficial owners of the Notes represented thereby.

Investors may hold their interests in an International Global Note Certificate through Euroclear or Clearstream, Luxembourg if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream, Luxembourg will hold interests in an International Global Note Certificate on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries.

So long as a common nominee of Euroclear and Clearstream, Luxembourg, is the registered holder of an International Global Note Certificate, such common nominee will be considered the sole owner and holder of the Notes represented by such International Global Note Certificate for all purposes under the Notes and all other relevant documents. Owners of beneficial interests in an International Global Note Certificate will not be entitled to have any portion of such International Global Note Certificate registered in their names, will not receive or be entitled to receive delivery of Definitive Registered Notes in exchange for their interests in an International Global Note Certificate and will not be considered the owners or holders of such International Global Note Certificate (or any Notes represented thereby) under the Trust Deed, the Agency Agreement or the Notes. In addition, no beneficial owner of an interest in an International Global Note Certificate or any other relevant documents will be able to transfer that interest except in accordance with applicable procedures of Euroclear and Clearstream, Luxembourg (in addition to those under the Agency Agreement referred to herein).

Payments of the principal of and any premium, interest and other amounts on any International Global Note Certificate will be made to the common nominee as the registered owner thereof. Neither the Issuer, the Trustee, the Registrar, the Transfer Agent nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in an International Global Note Certificate or for maintaining, supervising, or reviewing any records relating to such beneficial ownership interests.

The Issuer expects that each of Euroclear and Clearstream, Luxembourg, upon receipt of any such payment in respect of an International Global Note Certificate held by a common nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of such International Global Note Certificate as shown on the records of Euroclear or Clearstream, Luxembourg, as the case may be. The Issuer also expects that payments by participants to owners of beneficial interests in an International Global Note Certificate held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

All Notes represented by an International Global Note Certificate will be offered and sold pursuant to Regulation S, and the restrictions on and procedures for transfer of beneficial interests in such International Global Note Certificate and any DTC Restricted Global Note of the same Series will be the procedures applicable to DTC Unrestricted Global Notes and DTC Restricted Global Notes described above under "— Registered Global Notes—DTC Global Notes", with such modifications as may be specified in such Notes and the applicable Final Terms.

Bearer Notes

Bearer Notes shall initially be issued in the form of a Temporary Global Note, without Coupons, in an initial aggregate nominal amount equal to the nominal amount of the Notes of such Series not initially sold to U.S. persons, which shall be exchangeable, unless otherwise specified in the Final Terms, (i) for a Permanent Global Note, without Coupons attached (together with Temporary Global Notes, "Global Bearer Notes"), which shall in turn be exchangeable (in whole, but not in part) in limited circumstances in the form of Definitive Bearer Notes, with or without Coupons attached, or (ii) in whole but not in part, directly for Definitive Bearer Notes, with or without Coupons attached. Purchasers in the United States (including its territories, its possessions and other areas subject to its jurisdiction) will not be able to receive Bearer Notes.

The European Issuing and Paying Agent shall deliver each Temporary Global Note executed and authenticated as provided in the Trust Deed to the Common Depositary for the benefit of Euroclear and Clearstream, Luxembourg, for credit against payment in immediately available funds on the date of settlement to the respective accounts of the holders of the Notes of the Series represented by such Temporary Global Note.

Each Temporary Global Note and each Permanent Global Note will contain provisions which apply to the Bearer Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this document. A summary of certain of those provisions is set out below.

So long as the Common Depositary, or its nominee, is the bearer of a Global Bearer Note, the Common Depositary or such nominee, as the case may be, will be considered the sole owner and holder of the Notes represented by such Global Bearer Note for all purposes under the Trust Deed, the Agency Agreement and such Notes. Owners of beneficial interests in a Global Bearer Note will not be considered the owners or holders of such Global Bearer Note (or any Notes represented thereby) under the Trust Deed, the Agency Agreement or the Notes. In addition, no beneficial owner of an interest in a Global Bearer Note will be able to transfer that interest except in accordance with applicable procedures of Euroclear and Clearstream, Luxembourg (in addition to those under the Agency Agreement referred to herein).

In considering the interests of Noteholders while the Permanent Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Permanent Global Note and may consider such interests as if such accountholders were the holder of the Permanent Global Note.

Payments of the principal of and any premium, interest and other amounts on any Global Bearer Note will be made to the Common Depositary for Euroclear and Clearstream, Luxembourg or its nominees as the bearer thereof. Neither the Issuer, the Trustee nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Bearer Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer expects that each of Euroclear and Clearstream, Luxembourg, upon receipt of any such payment in respect of a Global Bearer Note held by a Common Depositary or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Bearer Note as shown on the records of Euroclear or Clearstream, Luxembourg, as the case may be. The Issuer also expects that payments by participants to owners of beneficial interests in a Global Bearer Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

So long as the Bearer Notes are represented by the Permanent Global Note and the Permanent Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders, except that so long as the Bearer Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort).

On or after the date (the "Exchange Date") which is the earlier of (i) the first Business Day following the expiration of a period of 40 days after (and including) the date on which the Notes of such Series were issued and (ii) the first day on which interest, if any, is paid on the Notes of such Series, beneficial interests in the Temporary Global Note of a Series as to which the European Issuing and Paying Agent has received certification as to the non-U.S. beneficial ownership thereof as required by U.S. Treasury regulations (see "—General") and as set forth in the Trust Deed will, upon presentation thereof by the Common Depositary to the European Issuing and Paying Agent, be exchanged (i) for interests in a Permanent Global Note of such Series or (ii) in whole but not in part, directly for one or more Definitive Bearer Notes of the same Series, in each case pursuant to the procedures set forth in the next sentence, with respect to that portion of such Temporary Global Note; provided, however, that, if Definitive Bearer Notes and (if applicable) Coupons have already been issued in exchange for a portion of such Temporary Global Note or for all of the Notes represented for the time being by such Permanent Global Note because Euroclear and/or Clearstream, Luxembourg do not regard the Permanent Global Note to be fungible with such Definitive Bearer Notes, then such Temporary Global Note may only thereafter be exchanged for Definitive Bearer Notes and (if applicable) Coupons pursuant to the terms of the Trust Deed, the Agency Agreement and such Notes. At any time after the Exchange Date, upon 40 days' notice (which may be given at any time prior to, on or after the Exchange Date) to the European Issuing and Paying Agent by Euroclear or Clearstream, Luxembourg, as the case may be, acting at the request of or on behalf of the beneficial owner or owners of a Global Bearer Note, and, in the case of a Temporary Global Note, upon receipt of the certifications required by U.S. Treasury regulations referred to above, and, unless otherwise agreed, upon payment by the Holder of reasonable costs (and the provision to Euroclear and Clearstream of the full contact details and the agreement to bear the printing costs by holders who instruct Euroclear and Clearstream to receive definitive notes; the Issuer will collect the related payments outside the clearing systems), interests in the Temporary Global Note or Permanent Global Note of a Series may be exchanged, in whole but not in part, for Definitive Bearer Notes of such Series with Coupons, if applicable, attached; provided, however, that, if Definitive Bearer Notes and (if applicable) Coupons have already been issued in exchange for a portion of such Temporary Global Note or for all of the Notes represented for the time being by such Permanent Global Note because Euroclear and/or Clearstream, Luxembourg do not regard the Permanent Global Note to be fungible with such Definitive Bearer Notes, then such Temporary Global Note may only thereafter be exchanged for Definitive Bearer Notes and (if applicable) Coupons pursuant to the terms of the Trust Deed, the Agency Agreement and such Notes. Any Definitive Bearer Note delivered in exchange for a beneficial interest in a Temporary Global Note or Permanent Global Note shall bear substantially the same legends as are set forth on the face of the Temporary or Permanent Global Note for which it was exchanged. No Bearer Note may be delivered nor may any interest be paid on any Bearer Note until the person entitled to receive such Bearer Note or such interest furnishes the certifications required by U.S. Treasury regulations referred to above.

Until exchanged in full, Global Bearer Notes of a Series shall in all respects be entitled to the same benefits under the Trust Deed and the Agency Agreement as Definitive Bearer Notes of such Series authenticated and delivered thereunder, except that principal of and any premium, interest, additional amounts and other amounts on a Temporary Global Note will not be payable unless a certification, as described herein, is given by the person(s) appearing in the records of Euroclear or Clearstream, Luxembourg as the owner of the Temporary Global Note or portions thereof being presented for payment, and unless a corresponding certification by Euroclear or Clearstream, Luxembourg shall have been delivered prior to each such date on which such amounts are to be paid.

Claims against the Issuer in respect of principal and interest in respect of the Permanent Global Note will become prescribed unless the Permanent Global Note is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

The holder of the Permanent Global Note will (unless the Permanent Global Note represents only one Bearer Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each minimum Specified Denomination of Notes for which the Permanent Global Note may be exchanged.

Cancellation of any Bearer Note required by the Conditions to be cancelled following its purchase will be effected by reduction in the nominal amount of the Permanent Global Note, and evidenced by the appropriate notation in the relevant schedule to such Permanent Global Note.

The Permanent Global Note provides that the holder may cause the Permanent Global Note to become due and payable in the circumstances described in Condition 9 by giving notice thereof to the Trustee.

The Issuer's call option in Condition 6(e) may be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by Condition 6(e) except that the notice shall not be required to contain the certificate numbers of Notes drawn for redemption in the case of a partial redemption of Notes and accordingly no drawing of Notes for redemption shall be required.

The Noteholders' put option in Condition 6(f) may be exercised by the holder of the Permanent Global Note giving notice to the European Issuing and Paying Agent of the nominal amount of Bearer Notes in respect of which the option is exercised and presenting the Permanent Global Note for endorsement of exercise within the time limits specified in Condition 6(f).

Each Permanent Global Note provides that, if the Currency Constraint provisions are specified in the Final Terms as being applicable, paragraphs (a) and (b) of Condition 15 of the Notes represented by such Permanent Global Note shall be replaced EITHER with the provisions set out in paragraph (1) below (if the Permanent Global Note is specified on the face of such Permanent Global Note as representing the original Currency Constraint Notes) OR with the provisions set out in paragraph (2) below (if the Permanent Global Note is specified on the face of such Permanent Global Note as representing the Exchanged Notes in respect of which the Currency Constraint Notes may be exchanged):

(1) If a Foreign Currency Constraint Event shall have occurred, the Issuer shall give to the Trustee and the European Issuing and Paying Agent within two São Paulo Business Days (as defined below) after such event, a certificate signed by two authorized signatories certifying the existence of the Foreign Currency Constraint Event. The Issuer shall, as soon as practicable thereafter, give notice of such certification and its contents, in accordance with Condition 18 and shall immediately appoint a Paying Agent with a specified office in São Paulo, Brazil (the "São Paulo Paying Agent"). In this event any Noteholder may, for a period of 30 days after the date of publication of such notice (the "Election Period"), elect to exchange its interests in the Permanent Global Note representing the original Notes for equivalent interests in the Permanent Global Note representing the Exchanged Notes (such exchange, the "Currency Constraint Exchange") and transfer such interests through Clearstream, Luxembourg, Euroclear and/or any Alternative Clearing System to or to the order of the São Paulo Paying Agent. The São Paulo Paying Agent shall hold such transferred interests for the account of the transferring Noteholder only, and such Noteholder may not transfer or otherwise dispose of such transferred interests and the São Paulo Paying Agent will treat such Noteholder as the owner of the Exchanged Notes and related Coupons and Talons (if any) throughout the period of existence of the Foreign Currency Constraint Event. In order for such an election to be effective, the Trustee, the São Paulo Paying Agent, the European Issuing and Paying Agent and the Issuer must receive a notice of election substantially in the form contained in the Agency Agreement appropriately completed by such Noteholder within the time limits described above. All duly completed and valid notices of election received within the Election Period shall, on receipt, be deemed to have been received on the first day of the Election Period.

    "Exchanged Notes" means Notes with terms and conditions identical to the terms and conditions of the Notes represented by the Permanent Global Note representing the original Notes save that:

    (i) all payments due in respect of such Exchanged Notes and related Coupons shall be made by the Issuer, to the extent permitted by Brazilian law, in the lawful currency of Brazil when due (the "Due Date") or, where the Due Date occurs before the date of the Currency Constraint Exchange (the "Currency Constraint Exchange Date"), as soon as practicable after the Currency Constraint Exchange Date and without any additional amount in compensation for late payment; and

    (ii) the amount of any payment due in respect of such Exchanged Notes and related Coupons shall be that amount in the lawful currency of Brazil, as determined by the São Paulo Paying Agent, having regard to this paragraph (ii), which would be required to purchase the amount of such payment in the Specified Currency at the rate of exchange shown on the Brazilian Central Bank computer information system, under the title "SISBACEN PTAX-800, Option 5" on the São Paulo Business Day prior to the Due Date (or, where the Due Date precedes the Currency Constraint Exchange Date, on the São Paulo Business Day prior to the date of payment), provided that if no such rate of exchange is available, the applicable rate of exchange shall be an average of the Brazilian currency exchange rates on such São Paulo Business Day for the purchase of the Specified Currency notified to the São Paulo Paying Agent by four leading Brazilian Banks selected by the São Paulo Paying Agent in its discretion.

"Foreign Currency Constraint Event" means any law, regulation, directive or communication imposed or issued by the Brazilian government or the Brazilian Central Bank or any other competent authority in Brazil imposing foreign exchange controls or other restrictions or any refusal to act or delay in acting by any such party, which has the effect of prohibiting, preventing or delaying the remittance of the Specified Currency (whether in respect of principal, interest, additional amounts payable pursuant to the Conditions or otherwise) to or by the Principal Paying Agent in respect of the Notes represented by the Permanent Global Note representing the original Notes when due.

"São Paulo Business Day" means a day other than a Saturday or Sunday on which commercial banks and foreign exchange markets are open for business in São Paulo, Brazil.

Each election which has become effective (as set forth above) shall be irrevocable. No transfers of Exchanged Notes may be made other than as provided below after the termination of the Foreign Currency Constraint Event. However, Clearstream, Luxembourg, Euroclear and/or any Alternative Clearing System will not monitor any transfers of Exchanged Notes or block any transfer thereof. In addition, Noteholders, by electing to receive the lawful currency of Brazil, waive their right to receive payments in respect of the Exchanged Notes and related Coupons through Clearstream, Luxembourg, Euroclear and/or any Alternative Clearing System since these payments will be made in Brazil by the São Paulo Paying Agent.

On termination of the Foreign Currency Constraint Event, Exchanged Notes and related unmatured Coupons and unexchanged Talons shall be exchanged for an equivalent amount of the Notes represented by the Permanent Global Note representing the original Notes, provided that, prior to such exchange, all payments due under the Conditions of the Notes represented by the Permanent Global Note representing the original Notes and the conditions of the Exchanged Notes and related Coupons shall have been made by the Issuer. Such exchange will occur as a result of the São Paulo Paying Agent exchanging interests in the Permanent Global Note representing the Exchanged Notes for interests in the Permanent Global Note representing the original Notes and transferring those interests back to the account of the Noteholder(s) which had originally elected to make the Currency Constraint Exchange.

(2) Upon a Foreign Currency Constraint occurring, the Issuer shall immediately appoint a Paying Agent with a specified office in São Paulo, Brazil (the "São Paulo Paying Agent"), who will hold the Notes represented by the Permanent Global Note representing the Exchanged Notes for the account of the Noteholders only and will treat the Noteholders as the owners of the Notes represented by the Permanent Global Note representing the Exchanged Notes throughout the period of the existence of the Foreign Currency Constraint Event. No transfers of Notes represented by the Permanent Global Note representing the Exchanged Notes may be made other than as provided below after the termination of the Foreign Currency Constraint Event. However, Clearstream, Luxembourg, Euroclear and/or any Alternative Clearing System will not monitor any transfers of Notes represented by the Permanent Global Note representing the Exchanged Notes or block any transfer thereof. In addition, the Noteholders waive their right to receive payments in respect of the Notes represented by the Permanent Global Note representing the Exchanged Notes through Clearstream, Luxembourg, Euroclear and/or any Alternative Clearing System. All payments which become due during the period in which a Foreign Currency Constraint Event shall be in effect will be made, to the extent permitted by the laws and regulations of Brazil, in the lawful currency of Brazil by the Issuer when due (the "Due Date") (or, where the Due Date occurs before the date (the "Currency Constraint Exchange Date") on which interests in the Permanent Global Note representing the original Currency Constraint Notes were exchanged for equivalent interests in the Permanent Global Note representing the Exchanged Notes (such exchange, the "Currency Constraint Exchange"), as soon as practicable following such Currency Constraint Exchange Date and without any additional amount in compensation for late payment), to an account in the lawful currency of Brazil maintained by or on behalf of the São Paulo Paying Agent with a bank in São Paulo, Brazil. The São

Paulo Paying Agent will thereafter make payment to Noteholders by transfer to an account in the lawful currency of Brazil maintained by each such Noteholder with a bank in São Paulo, Brazil (as specified by each such Noteholder in the notice of election delivered by each such Noteholder to any Paying Agent prior to, and for the purpose of effecting, the Currency Constraint Exchange). The amount of any such payment shall be that amount in the lawful currency of Brazil, as determined by the São Paulo Paying Agent, having regard to the provisions of this paragraph, which would be required to purchase the amount of such payment in the Specified Currency at the rate of exchange shown on the Brazilian Central Bank computer information system, under the title "SISBACEN PTAX-800, Option 5" on the São Paulo Business Day prior to the Due Date (or, where the Due Date precedes the Currency Constraint Exchange Date, on the São Paulo Business Day prior to the date of payment), provided that if no such rate of exchange is available, the applicable rate of exchange shall be an average of the Brazilian currency exchange rates on such São Paulo Business Day for the purchase of the Specified Currency notified to the São Paulo Paying Agent by four leading Brazilian Banks selected by the São Paulo Paying Agent in its discretion.

"Exchanged Notes" means Notes with terms and conditions identical to the terms and conditions of the Notes represented by the Permanent Global Note representing the original Notes for which such Notes may be exchanged save that payments shall be made in accordance with the provisions of this paragraph (2).

"Foreign Currency Constraint Event" means any law, regulation, directive or communication imposed or issued by the Brazilian government or the Brazilian Central Bank or any other competent authority in Brazil imposing foreign exchange controls or other restrictions or any refusal to act or delay in acting by any such party, which has the effect of prohibiting, preventing or delaying the remittance of the Specified Currency (whether in respect of principal, interest, additional amounts payable pursuant to the Conditions or otherwise) to or by the Principal Paying Agent in respect of the Notes represented by the Permanent Global Note representing the original Notes when due.

"São Paulo Business Day" means a day other than a Saturday or Sunday on which commercial banks and foreign exchange markets are open for business in São Paulo, Brazil.

On termination of the Foreign Currency Constraint Event, the Exchanged Notes and related unmatured Coupons and unexchanged Talons shall be exchanged for an equivalent amount of the Notes represented by the Permanent Global Note representing the original Notes, provided that, prior to such exchange, all payments due under the conditions of the Notes represented by the Permanent Global Note representing the original Notes and the Conditions of the Exchanged Notes and related Coupons shall have been made by the Issuer. Such exchange will occur as a result of the São Paulo Paying Agent exchanging interests in the Permanent Global Note representing the Exchanged Notes for interests in the Permanent Global Note representing the original Notes and transferring those interests back to the account of the Noteholder(s) which had originally elected to make the Currency Constraint Exchange.

The following legend will appear on all Global Bearer Notes and Definitive Bearer Notes and any related Coupons:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in the above legend provide that a U.S. person, with certain exceptions, will not be permitted to deduct any loss, and will not be eligible for capital gains treatment with respect to any gain realized on any sale, exchange or redemption of Bearer Notes or any related Coupons.

Notwithstanding anything to the contrary herein, Bearer Notes with maturities of one year or less may be issued as specified in the applicable Final Terms.

SUBSCRIPTION AND SALE

The following is subject to change in the applicable Final Terms. In addition, the Dealers who have agreed to purchase Notes of a Series from the Issuer will be specified in the applicable Final Terms.

Notes may be sold from time to time by the Issuer to or through any one or more of the Dealers (the "Dealers") or to any other person or institution. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to the Dealers as principal or through the Dealers, as agents, are set out in the Amended and Restated Dealer Agreement dated March 26, 2010, among the issuer and the Dealers (as amended from time to time, the "Dealer Agreement"). Any such agreement will, among other things, make provision for the form and Terms and Conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) which are payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for resignation of existing Dealers and the appointment of additional Dealers.

Each of Santander Investment Limited, Santander Investment Securities Inc. and Santander Brasil are our affiliates.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and U.S. Treasury regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Program will be required to agree that it has offered and sold Notes and will offer and sell Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of a Tranche of Notes of which such Notes are a part (the "Distribution Compliance Period"), as determined and certified to the Principal Paying Agent by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers with respect to Notes of a Tranche purchased by or through it, in which case the Principal Paying Agent shall notify such Dealer when all such Dealers have so certified), only in accordance with Rule 903 of Regulation S or Rule 144A under the Securities Act as set forth below. Accordingly, each Dealer has agreed that neither it, its affiliates nor any persons acting on its or their behalf (i) has engaged or will engage in any "directed selling efforts", as defined in Regulation S, in the United States with respect to Notes, (ii) has made offers or sales of any security, or solicited offers to buy, or otherwise negotiated in respect of any security, under circumstances that would require the registration of Notes under the Securities Act, or (iii) has engaged in any form of general solicitation, and it and they have complied and will comply with the offering restrictions requirements or Regulation S. Each Dealer and its affiliates also agree that, at or prior to confirmation of sale of Notes (other than a sale pursuant to Rule 144A), it will have sent to each Dealer, distributor or person receiving a selling concession, fee or other remuneration to which it sells Notes during the Distribution Compliance Period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons to substantially the following effect:

"The Notes covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of Notes of which such Notes are a part, as determined and certified by the relevant Dealer or Dealers, except in either case in accordance with Regulation S under, or pursuant to an available exemption from the registration requirements of, the Securities Act. Terms used above have the meaning given to them by Regulation S of the Securities Act."

Terms used in the above paragraph have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to QIBs in reliance on Rule 144A.

Each Dealer has agreed that it will not, acting either as principal or agent, offer or sell any Notes in the United States other than Notes in registered form bearing a restrictive legend thereon, and it will not, acting either as principal or agent, offer, sell, reoffer or resell any of such Notes (or approve the resale of any such Notes):

- except (A) inside the United States through a U.S. broker dealer that is registered under the United States Securities Exchange Act of 1934 (the "Exchange Act") to institutional investors, each of which such Dealer reasonably believes is a "qualified institutional buyer" (as defined in Rule 144A thereunder), or a fiduciary or agent purchasing Notes for the account of one or more qualified institutional buyers or (B) otherwise in accordance with the restrictions on transfer set forth in such Notes, the Dealer Agreement, the Information Memorandum and the relevant Final Terms; or

- by means of any form of general solicitation or general advertisement, including but not limited to (A) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast of television or radio and (B) any seminar or meeting whose attendees have been advised by any general solicitation or general advertising.

Prior to the sale of any Notes in registered form bearing a restrictive legend thereon, the selling Dealer shall have provided each offeree that is a U.S. person (as defined in Regulation S) with a copy of the Information Memorandum in the form the Issuer and Dealers shall have agreed most recently shall be used for offers and sales in the United States.

Each Dealer has represented and agreed that in connection with each sale to a qualified institutional buyer it has taken or will take reasonable steps to ensure that the purchaser is aware that the Notes have not been and will not be registered under the Securities Act and that transfers of Notes are restricted as set forth herein and, in the case of sales in reliance upon Rule 144A, that the selling Dealer may rely upon the exemption provided by Rule 144A under the Securities Act.

In addition, until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Series of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

In addition:

(a) In respect of Notes that are expressed in the applicable Final Terms to be subject to the C Rules, the following applies:

    Under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C)(the "C Rules"), the Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. In connection with the original issuance of Notes in bearer form, each Dealer has represented that it has not communicated and it will not communicate, directly or indirectly, with a prospective purchaser if either of them is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

(b) In respect of Notes that are expressed in the applicable Final Terms to be subject to the D Rules, the following applies:

(i) except to the extent permitted under U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (the "D Rules"), each Dealer (a) has represented that it has not offered or sold, and has agreed that during a 40-day restricted period it will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and (b) has represented that it has not delivered and agrees that it will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period;

(ii) each Dealer has represented that it has and has agreed that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(iii) if a Dealer is a United States person, such Dealer has represented that it is acquiring the Notes for purposes of resale in connection with their original issuance and if it retains Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6);

(iv) with respect to each affiliate that acquires from an affiliated Dealer Notes for the purpose of offering or selling such Notes during the restricted period, such Dealer either (a) has repeated and confirmed the representations and agreements contained in clauses (1), (2) and (3) on such affiliate's behalf or (b) has agreed that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in clauses (1), (2) and (3); and

(v) each Dealer has represented and agreed that it has not and will not enter into any written contract (other than a confirmation or other notice of the transaction) pursuant to which any other party to the contract (other than one of its affiliates or another Dealer) has offered or sold, or during the restricted period will offer or sell, any Notes, except where pursuant to the contract the Dealer has obtained or will obtain from that party, for the benefit of the Issuer and the several Dealers, the representations contained in, and the distributor's agreement to comply with, the provisions of clauses (i), (ii), (iii), (iv) and (v) of this paragraph.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules and Notice 2012-20, 2012-13 I.R.B.574.

This information memorandum has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States to non-U.S. persons and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the number of Notes which may be offered pursuant to Rule 144A. This information memorandum does not constitute an offer to any person in the United States or to any U.S. person other than any QIB within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or an affiliate of one of the Dealers. Distribution of this information memorandum by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorized and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Program will be required to represent, warrant and agree, that:

(a) in relation to any Notes which have a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(1) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses; or

(2) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer will represent and agree, and each further Dealer appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Information Memorandum as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "Non-exempt Offer"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Spain

Each Dealer has acknowledged that the Notes have not been and will not be registered with the Spanish Regulator (*Comisión Nacional del Mercado de Valores*). Accordingly, each of the Dealers has represented and agreed that the Notes may only be offered in Spain in compliance with Law 24/1998, as amended, Royal Decree 1310/2005 and any regulation issued thereunder.

Brazil

Each Dealer has agreed that it has not offered or sold, and will not offer or sell, any Notes in Brazil, except in compliance with applicable Brazilian laws or pursuant to an available exemption therefrom.

The Notes have not been and will not be registered with the CVM in Brazil for the purpose of their offering or distribution therein or abroad. Subsequent trading of the Notes in private transactions is not subject to registration in Brazil to the extent such trading does not qualify as a public offering or distribution. Documents relating to the offering of the Notes, as well as information contained therein, may not be supplied to the general public in Brazil or used in connection with any offer for the sale of the Notes to the general public in Brazil. Persons wishing to offer or acquire the Notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Bahamas

Each Dealer has agreed that the Notes have not been offered and may not be offered, sold or delivered to persons deemed to be resident in the Bahamas for exchange control purposes without obtaining the prior permission of the Central Bank of the Bahamas.

The Cayman Islands

Each Dealer has agreed that it has not offered or sold, and will not offer or sell, any Notes to the public in the Cayman Islands. Notes may be issued to ordinary non-resident and exempted companies of the Cayman Islands.

Each Dealer has agreed to comply with any direction of the Registrar of Companies in and for the Cayman Islands prohibiting (a) the sale of Notes in the Cayman Islands or (b) any invitation in the Cayman Islands to subscribe for the Notes.

Portugal

Each Dealer has represented and agreed that the Notes may not be offered or sold in Portugal except in accordance with the requirements of the Portuguese Securities Code (*Código de Valores Mobiliários* as approved by the Decree-Law 486/99 dated November 13, 1999) and the regulations governing the offer of securities issued pursuant thereto. Neither a public offer for subscription of the Notes nor a public offer for the sale of the Notes shall be promoted in Portugal.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and shall not, directly or indirectly, offer or sell any Notes in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, “resident of Japan” means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes or the possession, circulation or distribution of this information memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this information memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Purchasers of the Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the purchase price.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each prospective purchaser of Notes which are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act ("Restricted Notes") offered in reliance on Rule 144A by accepting delivery of this information memorandum will be deemed to have represented and agreed that such offeree acknowledges that this information memorandum is personal to such offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of this information memorandum, or disclosure of any of its contents to any person other than such offeree and those persons, *if* any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

Each purchaser of Restricted Notes offered and sold in reliance on Rule 144A will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(1) The purchaser (A) is a qualified institutional buyer, (B) is aware, and each beneficial holder of such Restricted Notes has been advised, that the sale to it is being made in reliance on Rule 144A and (C) is acquiring such Notes for its own account or for the account of a qualified institutional buyer.

(2) The Restricted Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Restricted Notes have not been and will not be registered under the Securities Act, and, if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Notes, such Notes may be offered, sold, pledged or otherwise transferred only (A) to a person who the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

(3) It understands that such Restricted Notes, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES."

It acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more QIBs it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

It understands that the Restricted Notes offered in reliance on Rule 144A will be represented by the DTC Restricted Global Note. Before any interest in the DTC Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the DTC Unrestricted Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(4) Either: (A) the purchaser is not, and is not acting on behalf of (and for so long as it holds the Notes (or any interest therein) will not be, or be acting on behalf of), (a) an employee benefit plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended, or ERISA, (b) a plan that is subject to Section 4975 of the U. S. Internal Revenue Code of 1986, as amended, or the Code, (c) an entity whose underlying assets are considered "plan assets" within the meaning of ERISA, or (d) a governmental, church, non-U.S. or other plan which is subject to any federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility and/or the prohibited transaction provisions of ERISA and/or Section 4975 of the Code ("**Similar Laws**") and/or laws or regulations that provide that the assets of the Issuer could be deemed to include "plan assets" of such plan (each, an "**Other Plan Investor**"), and no part of the assets used by it to purchase or hold the Notes or any interest therein constitutes the assets of any benefit plan investor or Other Plan Investor or (ii) the purchaser's purchase and holding of the Notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or, in the case of Other Plan Investors, will not result in a non-exempt violation of any Similar Laws and will not subject the Issuer to any laws, rules, or regulations applicable to such Other Plan Investor solely as a result of the investment in the Issuer by such Other Plan Investor, (B) neither the Issuer nor any of its affiliates is a "fiduciary" (within the meaning of ERISA Section 3(21) or, with respect to an Other Plan Investor, any Similar Laws) with respect to the purchaser or holder in connection with such person's purchase or holding of the Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with the Notes, and (C) it will not sell or otherwise transfer any such Note or interest to any person without first obtaining these same foregoing deemed representations, warranties and covenants from that person.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this information memorandum and the Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(2) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(3) It understands that the Notes offered in reliance on Regulation S will be represented by the DTC Unrestricted Global Note. Prior to the expiration of the distribution compliance period, before any interest in the DTC Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the DTC Unrestricted Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(4) Either: (A) the purchaser is not, and is not acting on behalf of (and for so long as it holdes the Notes (or any interest therein) will not be, or be acting on behalf of), (a) an employee benefit plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended, or ERISA, (b) a plan that is subject to Section 4975 of the U. S. Internal Revenue Code of 1986, as amended, or the Code, or (c) an entity whose underlying assets are considered "plan assets" within the meaning of ERISA, or (d) a governmental, church, non-U.S. or other plan which is subject to any federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility and/or the prohibited transaction provisions of ERISA and/or Section 4975 of the Code ("**Similar Laws**") and/or laws or regulations that provide that the assets of the Issuer could be deemed to include "plan assets" of such plan (each, an "**Other Plan Investor**"), and no part of the assets used by it to purchase or hold the Notes or any interest therein constitutes the assets of any benefit plan investor or Other Plan Investor or (ii) the purchaser's purchase and holding of the Notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or, in the case of Other Plan Investors, will not result in a non-exempt violation of any Similar Laws and will not subject the Issuer to any laws, rules, or regulations applicable to such Other Plan Investor solely as a result of the investment in the Issuer by such Other Plan Investor, (B) neither the Issuer nor any of its affiliates is a "fiduciary" (within the meaning of ERISA Section 3(21) or, with respect to an Other Plan Investor, any Similar Laws) with respect to the purchaser or holder in connection with such person's purchase or holding of the Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with the Notes, and (C) it will not sell or otherwise transfer any such Note or interest to any person without first obtaining these same foregoing deemed representations, warranties and covenants from that person.

(5) It understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. THIS LEGEND WILL BE REMOVED AFTER 40 CONSECUTIVE DAYS BEGINNING ON AND INCLUDING THE LATER OF (i) THE DAY ON WHICH THE SECURITIES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S) AND (ii) THE DATE OF THE CLOSING OF THE ORIGINAL OFFERING."

(6) The Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

TAXATION

PROSPECTIVE PURCHASERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE TAX CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE TAX CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES.

The following discussion is a summary of the Brazilian tax considerations relating to an investment in the Notes by an individual, entity, trust or organization considered to be a resident or a person domiciled outside of Brazil for tax purposes (a "Non-Resident Holder"). The discussion is based on the tax laws of Brazil as in effect on the date hereof and is subject to any change in Brazilian law that may come into effect after such date. The information set forth below is intended to be a general discussion only and does not address all possible tax consequences relating to an investment in the Notes. Prospective purchasers should consult their tax advisers as to the specific tax consequences of acquiring, holding and disposing of the Notes, in particular with regard to Notes having special features such as Notes denominated in a foreign currency as to the holder and Notes subject to Currency Constraint, Sovereign Event or Credit Event provisions.

Tax consequences in Brazil are different if the Notes are issued by us acting through our principal office in Brazil ("Brazilian Issuer") or issued through our Grand Cayman Branch ("Santander Cayman").

Payments on Notes Issued by the Brazilian Issuer

Interest (including original issue discount) payable by the Brazilian Issuer to a Non-Resident Holder with respect to the Notes is generally subject to withholding income tax at a rate of 15.0% or such other lower rate as provided for in an applicable tax treaty between Brazil and another country. According to Normative Ruling 252 of December 3, 2002 ("Normative Ruling 252/02"), in the event that a Non-Resident Holder is domiciled in a tax haven jurisdiction (as defined by Brazilian tax laws from time to time), payments of interest (including original issue discount) are also subject to withholding in respect of Brazilian income tax at the general rate of 15.0%. However, pursuant to article 8 of Law No. 9,779 of January 19, 1999, if the relevant average term of the Notes is of less than 96 months, the rate applicable to a Non-Resident Holder domiciled in a tax haven jurisdiction is 25.0% (article 691, IX of Decree No. 3,000 of March 26, 1999 and article 1, IX of Law No. 9,481 of August 13, 1997). Accordingly, there is a risk that tax authorities could seek to apply the rate of 25.0% in payments made to Non-Resident Holders domiciled in tax haven jurisdictions.

According to article 26 of Law No. 10,833, enacted on December 29, 2003, capital gains realized on the disposition of assets located in Brazil by a non-resident to another non-resident made outside Brazil are subject to taxation in Brazil. Santander believes that, based on the fact that the Notes are issued abroad and, therefore, will not fall within the definition of assets located in Brazil for purposes of Law No. 10,833, gains on the sale or other disposition of the Notes made outside Brazil by a Non-Resident Holder, other than a branch or a subsidiary of a Brazilian resident, to another non-Brazilian resident would not be subject to Brazilian taxes. Although, considering the general scope of Law No. 10,833 and the absence of judicial guidance in respect thereof, Santander is unable to predict whether such interpretation will ultimately prevail in the Brazilian courts.

Pursuant to Decree No. 6,306 of December 14, 2007 (Decree No. 6,306/07), as amended, foreign exchange transactions related to interest, fees and commissions in respect to the Notes made by the Issuer are subject to IOF (Tax on Financial Transactions). Under IOF regulations currently in force, the Ministry of Finance is empowered to establish the applicable IOF rate. Since January, 2008, the IOF rate has been set at 0.38% for several foreign exchange transactions. According to section 15-A, XIX of Decree No. 6,306/07, the liquidation of exchange transactions in connection with foreign financings or loans for the flow of funds both into and out of Brazil, related to funds raised as from October 23, 2008, are subject to IOF over exchange at a 0% rate. Pursuant to Decree 7,698/12, the rate is 6.0% for the conversion of foreign loans with a term shorter than 1,800 days into Brazilian currency, effective from March 12, 2012. Such IOF rate can be increased at any time to a rate up to 25%.

Furthermore, gains realized by a Non-Resident Holder from the sale or other disposition of the Notes to a Brazilian resident are subject to Brazilian income tax at a rate of 15.0% or 25.0%, if the Non-Resident Holder is domiciled in a tax haven jurisdiction (as defined by Brazilian tax laws from time to time). Additionally, Law No. 11,727 created the concept of a privileged tax regime. Pursuant to Law No. 11,727, a jurisdiction will be considered a privileged tax regime if it (i) does not tax income or taxes income at a maximum rate lower than 20.0%; (ii) grants tax advantages to non-resident entities or individuals (a) without the need to carry out substantial economic activity in the country or said territory or (b) conditioned upon the non-exercise of substantial economic activity in the country or said territory; (iii) does not tax proceeds generated abroad or taxes such proceeds at a maximum rate lower than 20.0%; or (iv) restricts the disclosure of information regarding assets and ownership rights or restricts disclosure about economic transactions. The concept of "privileged tax regime" should apply only for the purposes of Brazilian transfer pricing rules and thin capitalization rules, and, in principle, does not impose a higher rate of withholding tax on income and capital gains earned by a Non-Resident-Holder. Please note that the jurisdictions currently deemed as privileged tax regimes by the Brazilian tax authorities are listed on Normative Ruling No. 1,037 of June 4, 2010.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Notes outside Brazil. Under Brazilian law, the transfer of a Note by gift made by a Noteholder (whether or not a Non-Resident Holder) and involving a resident of Brazil may be subject to Gift Tax (*Imposto Sobre Transmissão Causa Mortis e Doação de Quaisquer Bens ou Direitos*) imposed on the donee by the state in which such Brazilian resident resides.

Payments on Notes Issued Through Santander Cayman

If payment of income is made to a Non-Resident Holder by Santander Cayman with respect to Notes issued through Santander Cayman, based on the fact that Santander Cayman is considered to be domiciled outside of Brazil for tax purposes, such payment will not generally be subject to withholding or deduction with respect to Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with resources held by such entity outside of Brazil.

Foreign Currency Constraint, Sovereign Event and Credit Event Provisions

Currency Constraint, Sovereign Events or Credit Events are exceptional circumstances. If any such events materialize, the taxation commented above may not be applicable in a situation where constitutional principles are not observed. Noteholders are encouraged to consult with their legal and tax advisors concerning the tax implications of such events, if and when materialized.

Cayman Islands Tax Considerations

The following summary is based upon the tax laws of the Cayman Islands as in effect on the date hereof and, except as provided below, is subject to any change in Cayman Islands law that may come into effect after such date.

Payments in respect of the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any holder of a Note, and gains derived from the sale of Notes will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The holder of any Note (or the legal personal representative of such holder) whose Note is executed or thereafter brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Note.

European Union Directive on the Taxation of Savings Income

Under Council Directive 2003/48/EC (the "Directive") on the taxation of savings income, Member States (as defined below) are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual, or certain other persons, resident in another Member State (the member states constituting the European Union, collectively the "Member States" and each a "Member State"), except that Austria and Luxembourg have instead opted to impose a withholding system in relation to such payments (deducting tax at rates rising over time to

35.0%) for a transitional period unless during that period they elect otherwise. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange the information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of Member States have adopted similar measures (either provision of information or withholding).

The European Commission has published proposals for amendments to the Directive which may amend or broaden the scope of the requirements described above.

Investors who may be affected by any of these arrangements are advised to consult with their own professional advisors.

Certain Material U.S. Federal Income Tax Considerations

The following discussion is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes. This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Program, and the relevant Final Terms will contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to each such type of Note as appropriate. This summary assumes the Notes are properly treated as debt for U.S. federal income tax purposes. This summary deals only with Noteholders that purchase the Notes at original issuance at their initial "issue price" and that will hold the Notes as capital assets (generally, property held for investment) except for the discussion below under "Recently Enacted Legislation," which applies to all Noteholders.

The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local or non-U.S. tax laws, or any aspect of U.S. federal tax law other than income taxation (such as the estate and gift tax or the Medicare tax on net investment income). In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, regulated investment companies, real estate investment trusts, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, partnerships and other pass-through entities, dealers or traders in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions, conversion transactions or other integrated transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar). Moreover, this summary deals only with Notes with a term of 30 years or less and does not discuss Bearer Notes. The U.S. federal income tax consequences of owning Notes with a longer term will be discussed in the applicable Final Terms. In general, U.S. federal income tax law imposes significant limitations on U.S. Holders of Bearer Notes (which can include taxation of gains recognized from the sale, retirement or other disposition of Bearer Notes at the rates applicable to ordinary income (rather than capital gain), and the disallowance of a deduction for losses recognized on such a disposition of Bearer Notes). U.S. Holders should consult their tax advisors regarding the U.S. federal income and other tax consequences of the acquisition, ownership and disposition of Bearer Notes.

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation or other entity treated as a corporation for U.S. federal income tax purposes created or organized in the United States or under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if the trust has a valid election in place to be treated as a domestic trust for U.S. federal income tax purposes.

As used herein, the term "Non-U.S. Holder," means a beneficial owner of Notes that is not a U.S. Holder or a partnership (or other entity taxable as a partnership for U.S. federal income tax purposes).

The U.S. federal income tax treatment of a partner in a partnership (or other entity taxable as a partnership for U.S. federal income tax purposes) that holds Notes will depend on the status of the partner and the activities of the partnership. Partners or partnerships should consult their tax advisors concerning the U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes by the partnership.

This summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended (the Code), its legislative history, existing and proposed Treasury regulations thereunder, published rulings of the U.S. Internal Revenue Service ("IRS") and court decisions, all as currently in effect and all of which are subject to change at any time, possibly with retroactive effect.

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY INFORMED THAT ANY DISCUSSION OF THE U.S. FEDERAL TAX ISSUES SET FORTH IN THIS INFORMATION MEMORANDUM WAS WRITTEN IN CONNECTION WITH THE PROMOTION AND MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN. SUCH DISCUSSION WAS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING ANY TAX PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON. EACH INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN INDEPENDENT TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Stated Interest

General

Stated interest on a Note, whether payable in U.S. dollars or a currency other than U.S. dollars (a "foreign currency"), other than interest that is not "qualified stated interest" (as defined below under "Original Issue Discount—General"), generally will be taxable to a U.S. Holder as ordinary income at the time that such interest is received or accrued, depending on the U.S. Holder's regular method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes and original issue discount ("OID"), if any, accrued with respect to the Notes (as described below under "—Original Issue Discount—General") generally will constitute income from sources outside the United States.

Effect of Brazilian Withholding Taxes

As discussed in "Taxation — Brazilian Tax Considerations", payments of interest in respect of the Notes may be subject to Brazilian withholding taxes. In such circumstances, discussed under "Terms and Conditions of the Notes—Taxation", the Issuer may become liable for the payment of additional amounts to U.S. Holders so that U.S. Holders receive the same amounts they would have received had no Brazilian withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders would be treated as having actually received the amount of Brazilian taxes withheld by the Issuer (as well as the additional amounts paid by the Issuer in respect thereof) with respect to a Note, and as then having actually paid over the withheld taxes to the Brazilian taxing authorities. As a result, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Issuer with respect to the payment.

Subject to certain limitations, a U.S. Holder generally will be entitled to a credit against its U.S. federal income tax liability for Brazilian income taxes withheld by the Issuer. The limitation on foreign income taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific classes of income. For this purpose, payments of interest generally will constitute "passive category income." Alternatively, a U.S. Holder may elect to deduct such Brazilian income taxes when computing its U.S. federal taxable income, provided that such U.S. Holder elects to deduct (rather than credit) all foreign income taxes paid or accrued for the taxable year.

In certain circumstances, a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for foreign income taxes imposed on a payment of interest if the U.S. Holder has not held the Notes for at least 16 days during the 31 day period beginning on the date that is 15 days before the date on which the right to receive the payment arises. Since a U.S. Holder may be required to include OID on the Notes in its gross income in advance of any withholding of Brazilian income taxes from payments attributable to the OID (which may not occur until the Note is repaid or redeemed), a U.S. Holder may not be entitled to a credit or deduction for these Brazilian income taxes in the year the OID is included in the U.S. Holder's gross income, and may be limited in its ability to credit or deduct in full the Brazilian income taxes in the year those taxes are actually withheld by the Issuer. Prospective purchasers should consult their tax advisors concerning the U.S. foreign tax credit implications of the payment of these Brazilian income taxes.

Original Issue Discount

General

A Note, other than a Note with a term of one year or less (a "Short-Term Note"), will be treated as issued with OID (a "Discount Note") for U.S. federal income tax purposes if the excess of the Note's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount, which generally is 0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity. An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "installment obligation") will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or more than 0.25% of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest." For this purpose, a qualified stated interest payment is generally any one of a series of stated interest payments on a Note that is unconditionally payable in cash or property, other than additional debt instruments of the issuer, at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "—Variable Interest Rate Notes"). Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must accrue OID into gross income calculated on a constant-yield basis before the receipt of cash attributable to the OID, and generally will have to include in gross income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in gross income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess, if any, of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount that is less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but that exceeds the adjusted issue price of the Discount Note (any such excess being "acquisition premium"), and does not make the election discussed below under "—Election to Treat All Interest as Original Issue Discount", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted tax basis in the Discount Note immediately after its purchase over the Discount Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Discount Note after the purchase date, other than payments of qualified stated interest, over the Discount Note's adjusted issue price.

Market Discount

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a "Market Discount Note") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25% of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an installment obligation, the Note's weighted average maturity). For this purpose, the "revised issue price" of a Note generally equals its issue price, increased by the amount of any OID that has previously accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

In general, any gain recognized on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest), and possibly gain realized in certain non-recognition transactions, will be taxable as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to accrue market discount into gross income currently over the life of the Note. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note that does not elect to include market discount in gross income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's gross income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Under current law, market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable without the consent of the IRS.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its stated principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortizable bond premium", in which case the amount required to be included in the U.S. Holder's gross income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortize bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and may not be revoked without the consent of the IRS. Regardless of whether the election to amortize bond premium is made, a U.S. Holder generally will not be required to include OID in gross income for any Note acquired at a premium.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "—Original Issue Discount—General", with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. This election generally will apply only to the Note with respect to which the election is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under "Market Discount" to accrue market discount into gross income currently for all debt instruments with market discount held or thereafter acquired. U.S. Holders should consult their tax advisors concerning the propriety and consequences of making this election.

Variable Interest Rate Notes

Notes that provide for the payment of interest at certain variable rates ("Variable Interest Rate Notes") may constitute "variable rate debt instruments" under the Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if, among other requirements, (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount and (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate. A Variable Interest Rate Note that does not meet the requirements for qualification as a "variable rate debt instrument" under the Treasury regulations generally will be treated as a "contingent payment debt instrument" for U.S. federal income tax purposes. See "—Contingent Payment Debt Instruments" below.

A "qualified floating rate" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g. two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note or is not reasonably expected to affect the yield significantly.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g. one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g. the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. See "Payment of Stated Interest" above. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount. OID on such a Variable Interest Rate Note arising from "true" discount generally is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent fixed rate debt instrument" for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an equivalent fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an equivalent fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an equivalent fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the equivalent fixed rate debt instrument by applying the general OID rules to the equivalent fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the equivalent fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the equivalent fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in gross income as such interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, using a constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in gross income currently, any gain realized on the sale, exchange or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale, exchange or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Fungible Issue

The Issuer may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate issue for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

Contingent Payment Debt Instruments

As discussed above, Notes that provide for the payment of interest at floating rates, but fail to qualify as variable rate debt instruments under applicable Treasury regulations, generally will be treated as "contingent payment debt instruments" for U.S. federal income tax purposes. Additionally, Notes that provide for different payment schedules based upon the occurrence or non-occurrence of certain contingencies may be characterized for U.S. federal income tax purposes as contingent payment debt instruments. Very generally, for a Note that is treated for U.S. federal income tax purposes as a contingent payment debt instrument, applicable Treasury regulations will require a U.S. Holder, regardless of its regular method of tax accounting, (i) to accrue interest income (as OID) over the term of the Note based upon a "comparable yield" for a debt instrument without any contingent payments but otherwise with terms and conditions comparable to the Note, and (ii) to periodically adjust its interest income accruals on the Note for differences between the actual contingent payments received in respect of the Note and the contingent payments reflected on a "projected payment schedule" prepared for the Note as of its issue date. Additionally, any gain upon a sale or other taxable disposition of such a Note generally will be taxable to a U.S. Holder as ordinary interest income; any loss will be ordinary loss to the extent of the interest previously included in gross income by the U.S. Holder with respect to the Note, and thereafter, capital loss. ***The comparable yield and projected payment schedule are used to determine accruals of interest for tax purposes only*, *and are not to be regarded as predictions with respect to the actual yield or payments for a Note.*** In the event that the Issuer issues Notes that constitute contingent payment debt instruments, the applicable Final Terms will further describe the material U.S. federal income tax consequences of the acquisition, ownership and disposition of such Notes for U.S. Holders. Prospective U.S. Holders of Notes should consult their own tax advisors regarding the application of the Treasury regulations governing contingent debt instruments.

Sale, Retirement or Other Taxable Disposition of Notes

A U.S. Holder's adjusted tax basis in a Note generally will be its cost, (i) increased by the amount of any OID or market discount included in the U.S. Holder's gross income with respect to the Note (including any amounts of *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income as a result of an election to create all interest as OID, as discussed above) and (ii) reduced by the amount of any payments received in respect to the Note that are not qualified stated interest payments and the amount of any amortizable bond premium applied to reduce interest on the Note. A U.S. Holder generally will recognize gain or loss on the sale, retirement or other taxable disposition of a Note equal to the difference between the amount realized on the sale, retirement or other taxable disposition and the adjusted tax basis of the Note. The amount realized does not include any amount attributable to accrued but unpaid qualified stated interest, which will be taxable as interest income to the extent not previously included in gross income by the U.S. holder. Except as described above under "—Market Discount", "—Short-Term Notes" or "—Contingent Payment Debt Instruments" and except to the extent attributable to changes in exchange rates (as discussed below under "—Foreign Currency Notes"), gain or loss recognized on the sale, retirement or other taxable disposition of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. For certain non-corporate U.S. Holders, under current law, long-term capital gains are taxed at preferential rates. The deductibility of capital losses is subject to limitations under the Internal Revenue Code.

Gain or loss realized by a U.S. Holder on the sale, retirement or other taxable disposition of a Note generally will be treated as derived from U.S. sources for purposes of the U.S. foreign tax credit. Accordingly, if any gain from the sale or exchange of a Note is subject to Brazilian or other foreign income tax, a U.S. Holder may not be able to credit such taxes against its U.S. federal income tax liability, because such gain generally would be U.S. source income, unless such tax can be credited (subject to applicable limitations) against tax due on other income treated as derived from foreign sources. Alternatively, a U.S. Holder may deduct any foreign income taxes, provided that the U.S. Holder does not credit any foreign income taxes paid or accrued in the same taxable year.

Foreign Currency Notes

Interest

If a payment of qualified stated interest is denominated in, or determined by reference to, a single foreign currency, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the "spot" rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. Under applicable Treasury regulations, the "spot rate" generally means a rate that reflects a fair market rate of exchange available to the public for currency under a "spot contract" in a free market and involving representative amounts. A "spot contract" is a contract to buy or sell a currency on the nearest conventional settlement date, generally two business days following the date of the execution of the contract. If such a spot rate cannot be demonstrated, the IRS has the authority to determine the spot rate. If the amount of qualified stated interest payable in U.S. dollars under the Notes is determined by reference to the U.S. dollar value of a foreign currency at periodic intervals over the term of the Notes, cash basis U.S. Holders will not realize any U.S. source exchange gain or loss in respect of interest payments except to the extent that the exchange rate used to determine the amount of interest payable in U.S. dollars with respect to an interest payment differs from the "spot rate" in effect on the date such payment is received.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to a qualified stated interest payment denominated in, or determined by reference to, a single foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the spot rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the spot rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of qualified stated interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the spot rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and may not be revoked without the consent of the IRS.

Upon receipt of a qualified stated interest payment (including a payment attributable to accrued but unpaid qualified stated interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a single foreign currency, the accrual basis U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars. If the amount of a qualified stated interest payable in U.S. dollars under the Notes is determined by reference to the U.S. dollar value of a single foreign currency at periodic intervals over the term of the Notes, an accrual basis U.S. Holder may recognize U.S. source exchange gain or loss equal to the difference between the U.S. dollar value of the foreign currency on the date the interest is received determined based on the "spot rate" in effect on the date the interest is received (which may be different than the exchange rate used to determine the amount of interest payable in U.S. dollars) and the amount previously accrued.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a single foreign currency will be determined in the foreign currency and then translated into U.S. dollars in the same manner as qualified stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale or retirement of the Note), a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

Market discount on a Note that is denominated in, or determined by reference to, a single foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to accrue market discount into gross income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognize U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued qualified stated interest or OID. A U.S. Holder that does not elect to include market discount in gross income currently will recognize, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Bond Premium

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a single foreign currency will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date and on the date the Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account will recognize a loss when the Notes mature.

Sale, Retirement or Other Taxable Disposition of a Note

As discussed above under "—Sale, Retirement or Other Taxable Disposition of a Note", a U.S. Holder generally will recognize gain or loss on the sale, retirement or other taxable disposition of a Note equal to the difference between the amount realized on the sale, retirement or other taxable disposition and the adjusted tax basis of the Note. A U.S. Holder's initial tax basis in a Note that is denominated in a single foreign currency will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency generally will be the U.S. dollar value of the purchase price based on the spot rate in effect the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder, or an accrual basis U.S. Holder that so elects, on the settlement date for the purchase.

The amount realized on a sale, retirement or other taxable disposition for an amount in foreign currency will be the U.S. dollar value of the amount of foreign currency received based on the spot rate in effect on the date of sale, retirement or other taxable disposition of a Note or, in the case of a Note traded on an established securities market, as defined in the applicable Treasury regulations, sold by a cash basis U.S. Holder, or an accrual basis U.S. Holder that so elects, on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) on the sale, retirement or other taxable disposition of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note) based on the spot rate in effect (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. A U.S. Holder that purchased a Note at a premium and has unamortized premium on the date of sale, retirement or other taxable disposition of the Note will also recognize U.S. source exchange gain or loss equal to the difference, if any, between the U.S. dollar values of the unamortized premium based on the spot rate in effect (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. In either case, any such exchange gain or loss will be realized only to the extent of total gain or loss realized on the sale, retirement or other taxable disposition.

Disposition of Foreign Currency

Foreign currency received as a payment of stated interest on a Note or on the sale, retirement or other taxable disposition of a Note will have a tax basis equal to its U.S. dollar value based on the spot rate in effect at the time the interest is received or at the time of the sale, retirement or other taxable disposition. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency based on the spot rate in effect on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) generally will be U.S. source ordinary income or loss.

Dual Currency Notes

Under Treasury regulations governing "nonfunctional currency contingent payment debt instruments", Dual Currency Notes that meet certain conditions are treated in a manner similar to Notes that constitute "contingent payment debt instruments" for U.S. federal income tax purposes (as discussed above under "Contingent Payment Debt Instruments"). There is no assurance, however, that any particular issuance of Dual Currency Notes will meet the conditions set forth in the Treasury regulations, and the U.S. federal income tax treatment of Dual Currency Notes that do not meet these conditions is unclear. The U.S. federal income tax characterization of Dual Currency Notes may affect the amount, timing and character of income, gain or loss recognized by a U.S. Holder in respect of the Dual Currency Notes. The applicable Final Terms will describe the material U.S. federal income tax consequences of the acquisition, ownership and disposition of such Dual Currency Notes for U.S. Holders. There can be no assurance that the IRS will agree with the characterization of Dual Currency Notes as described in the Final Terms. In light of this uncertainty, prospective U.S. Holders of Dual Currency Notes should consult their own tax advisors regarding the application of the Treasury regulations governing nonfunctional currency contingent payment debt instruments and regarding the U.S. federal income tax treatment of the Dual Currency Notes that do not meet the conditions set forth in such Treasury regulations.

Foreign Currency Constraints, Sovereign Events and Credit Events

There are no regulatory, administrative or judicial authorities that address the U.S. federal income tax treatment of debt instruments containing provisions such as Foreign Currency Constraints, Sovereign Events and Credit Events. Accordingly, the U.S. federal income tax consequences of Notes issued with Foreign Currency Constraint, Sovereign Event or Credit Event provisions are uncertain and could be materially different (and potentially more adverse to U.S. Holders) than those described herein. In particular, Notes issued with a Foreign Currency Constraint, Sovereign Event or Credit Event feature may be treated as contingent payment debt instrument or may not be characterized as indebtedness under U.S. federal income tax principles. Alternatively, a U.S. Holder that acquires a Note subject to a Foreign Currency Constraint, Sovereign Event or Credit Event could be treated as having purchased a debt instrument and having purchased a put option from (in the case of the Foreign Currency Constraint) or written a put option to (in the case of the Sovereign Event or the Credit Event) the Issuer. U.S. Holders are urged to consult their own tax advisors regarding the U.S. federal income tax considerations applicable to the acquisition, ownership, and disposition of Notes subject to a Foreign Currency Constraint, Sovereign Event or Credit Event.

Backup Withholding and Information Reporting

In general, payments of stated interest and accrued OID on, and the proceeds of a sale, exchange, redemption or other disposition of, the Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary, will be reported to the IRS and to the U.S. Holder as may be required under applicable Treasury regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding. Backup withholding is not additional tax. Amounts withheld may be credited against a U.S. Holder's U.S. federal income tax liability, and a U.S. Holder may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the IRS in a timely manner. U.S. Holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Recently enacted legislation requires certain U.S. Holders to report information to the IRS with respect to their investment in Notes unless certain requirements are met. Investors who fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in Notes.

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.$50,000 in a single taxable year if the U.S. Holder is an individual or trust, or higher amounts for other U.S. Holders. In the event the acquisition, ownership or disposition of Notes constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. Prospective purchasers are urged to consult their tax advisors regarding the application of these rules to the acquisition, ownership or disposition of Notes.

Payments on certain Notes may be subject to U.S. withholding tax

Under legislation enacted in 2010, payments on any Notes that are, in whole or in part, directly or indirectly contingent upon, or determined by reference to, the payment of a dividend from a U.S. entity (a "Dividend Equivalent Payment") may become subject to a 30% U.S. withholding tax when made to a beneficial owner that is a Non-U.S. Holder. The imposition of this U.S. withholding tax will reduce the amounts received by Non-U.S. Holders. None of the Issuer or any other person shall pay any additional amounts to the Non-U.S. Holders in respect of such U.S. withholding. If a Non-U.S. Holder becomes subject to this withholding tax, it is unclear whether the Non-U.S. Holder will be able to claim any exemptions under an applicable income tax treaty. The application and interpretation of the rules governing U.S. withholding tax on Dividend Equivalent Payments is subject to change.

Recently Enacted Legislation

Pursuant to the U.S. Foreign Account Tax Compliance Act, a "foreign financial institution" ("FFI") may be subject to withholding on certain income with United States connections unless it enters into, and complies with, an agreement with the U.S. IRS to provide certain information about its account holders, which includes for this purpose the holders of any debt or equity interests in such institutions that are not regularly traded on an established securities market. We believe that we will be a FFI for this purpose, and it is possible that we will enter into such an agreement with the IRS to avoid this withholding tax on our income. Under these rules and pursuant to such an agreement with the IRS, we or another applicable withholding agent may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments on, or payments of the gross proceeds from a sale, exchange, retirement or other taxable disposition of the Notes if (a) such a payment is deemed to be a "foreign passthru payment" made on or after January 1, 2017 and (b) either (i) you are an investor that fails to provide information sufficient for us or another applicable withholding agent to determine whether you are a U.S. person, as defined in the Code or should otherwise be treated as holding a "United States Account" or (ii) you are, or you hold the Notes through an intermediary that is, an FFI that has not entered into an agreement of the type described above (a "non-participating FFI").

The application of FATCA to Notes may be addressed in the relevant Final Terms or a supplement to this Prospectus, as applicable.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of a holder's failure to comply with these rules or as a result of the presence of an intermediary that is a non-participating FFI, neither we, any paying agent nor any other person *would, pursuant to the conditions of the Notes, be required to pay additional amounts due to the deduction or withholding of such tax. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in Notes*

CERTAIN ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended, or ERISA, imposes fiduciary standards and certain other requirements on employee benefit plans subject thereto, including collective investment funds, separate accounts, and other entities or accounts whose underlying assets are treated as assets of such plans pursuant to the U.S. Department of Labor "plan assets" regulation, 29 CFR Section 2510.3-101, as modified by Section 3(42) of ERISA (collectively, "**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan. The prudence of a particular investment will be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed in "Risk Factors" and the fact that in the future there may be no market in which the fiduciary will be able to sell or otherwise dispose of the Notes.

In addition, Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, or the Code, prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code (together with ERISA Plans, Plans)) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. In particular, a sale or exchange of property or an extension of credit between a Plan and a "party in interest" or "disqualified person" may constitute a prohibited transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

We, directly or through our affiliates, may be considered a party in interest or disqualified person with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if Notes are acquired, held or disposed of by a Plan with respect to which the Issuer, the Global Arranger, the Dealers or any of their respective affiliates is a party in interest or a disqualified person unless the Notes are acquired pursuant to and in accordance with an applicable exemption. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may apply depending in part on the type of Plan fiduciary making the decision to acquire the Notes and the circumstances under which that decision is made. Included among these exemptions are Prohibited Transaction Class Exemption ("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 95-60 (relating to investments by insurance company general accounts) and PTCE 96-23 (relating to transactions determined by an in-house asset manager). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide a limited exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction, and provided further that the Plan pays no more than "adequate consideration" (within the meaning of ERISA Section 408(b)(17) and Section 4975(f)(10) of the Code) in connection with the transaction (the "**service provider exemption**"). There can be no assurance however that any of these exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Governmental plans, certain church plans, non-U.S. plans, and other plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to federal, state, local, non-U.S, or other laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing the Notes.

Each purchaser of the Notes will be deemed to have represented and agreed that (A) either: (i) the purchaser is not , and is not acting on behalf of (and for so long as it holdes the Notes (or any interest therein) will not be, or be acting on behalf of), (a) a Plan, (b) an entity whose underlying assets are considered "plan assets" within the meaning of ERISA or (c) a governmental, church, non-U.S. or other plan which is subject to any federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility and/or the prohibited transaction provisions of ERISA and/or Section 4975 of the Code ("**Similar Laws**") and/or laws or regulations that provide that the assets of the Issuer could be deemed to include "plan assets" of such plan (each, an "**Other Plan Investor**"), and no part of the assets used by it to purchase or hold the Notes or any interest therein constitutes the assets of any benefit plan investor or Other Plan Investor or (ii) the purchaser's purchase and holding of the Notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Codeor, in the case of Other Plan Investors, will not result in a non-exempt violation of any Similar Laws and will not subject the Issuer to any laws, rules, or regulations applicable to such Other Plan Investor solely as a result of the investment in the Issuer by such Other Plan Investor, (B) neither the Issuer nor any of its affiliates is a "fiduciary" (within the meaning of ERISA Section 3(21) or, with respect to an Other Plan Investor, any Similar Laws) with respect to the purchaser or holder in connection with such person's purchase or holding of the Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with the Notes, and (C) it will not sell or otherwise transfer any such Note or interest to any person without first obtaining these same foregoing deemed representations, warranties and covenants from that person.

Due to the complexity of these rules and the potential penalties for any non-exempt prohibited transactions, we would advise any persons considering purchasing our Notes on behalf of, or with the assets of, any Plan to consult with their counsel regarding these matters.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Each Plan fiduciary should consult with its legal advisor concerning the potential consequences to the plan under ERISA or the Code of an investment in the Notes.

The Sale of the Notes to a Plan is in no respect a representation by the Issuer that such an investment meets all relevant legal requirements with respect to investment by Plans generally or any participar Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

ENFORCEABILITY OF JUDGMENTS

We are a financial institution organized under the laws of Brazil. Substantially all of our directors and executive officers reside in Brazil or elsewhere out of England, and all or substantially all of the assets of such persons may be, and, except for the assets held abroad through branches and subsidiaries, substantially all of our assets are located in Brazil. As a result, it may not be possible for investors to effect service of process within England or other jurisdictions outside Brazil upon such persons or to enforce against such persons or against us judgments obtained in the courts of England or other jurisdictions outside Brazil, including judgments predicated upon English law or laws of such other jurisdictions. In the terms and conditions of the Program or any Notes issued under the Program, we will (i) agree that the courts of England shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the Securities and, for such purposes, irrevocably submit to the jurisdiction of such courts, and (ii) name an agent for service of process in England. See "Terms and Conditions."

Judgments of English courts for civil liabilities against us (including the Grand Cayman Branch) predicated upon laws of England may be enforced in Brazil, subject to certain requirements described below. A judgment against us or any other person referred to above obtained outside of Brazil would be enforceable in Brazil against Santander or any such person without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*). Such confirmation would be provided if the foreign judgment (i) fulfils all formalities required for its enforceability under the laws of the country where the foreign judgment is granted, (ii) is issued by a competent court after proper service of process is made in accordance with Brazilian law, (iii) is not subject to appeal, (iv) is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese, and (v) is not contrary to Brazilian national sovereignty, "good morals" or public policy. Notwithstanding the foregoing, no assurance can be given that the confirmation process described above can be conducted in a timely manner.

Further, we note that: (a) original actions based on the federal securities laws of England may be brought in Brazilian courts and that, subject to Brazilian public policy and national sovereignty, Brazilian courts may enforce liabilities in such actions against us, our directors, certain of their executive officers and certain of the experts named in this information memorandum; and (b) the ability of a judgment creditor or the other persons named above to satisfy a judgment by attaching certain of our assets is limited by provisions of Brazilian law. Pursuant to Article 835 of the Brazilian Code of Civil Procedure, a plaintiff (whether Brazilian or non-Brazilian) who resides outside Brazil during the course of litigation in Brazil and does not own real property in Brazil must post a bond to cover the court costs and legal fees of the defendant. The bond must have a value sufficient to satisfy the payment of the court fees and the defendant's attorney fees, as determined by the Brazilian judge. This requirement does not apply to the enforcement of foreign judgments which have been duly confirmed by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*) and in case of collection claims based on an instrument (which does not include the Notes issued hereunder) that may be enforced in Brazil without the review of its merit (*título executivo extrajudicial*) or counterclaims (*reconvenções*). Notwithstanding the foregoing, no assurance can be given that the process described above can be conducted in a timely manner.

LEGAL MATTERS

The validity of our Notes under Brazilian law will be passed upon by Pinheiro Neto Advogados, Brazilian counsel to the Arranger and Dealers. Santander has been represented as to English and U.S. legal matters by Milbank, Tweed, Hadley & McCloy LLP. The Arranger and Dealers have been represented as to English and U.S. legal matters by Linklaters LLP. The Issuer has been represented as to Cayman Islands legal matters by Maples and Calder.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The consolidated financial statements of Santander Brasil at and for the years ended December 31, 2011, 2010 and 2009 included elsewhere in this information memorandum, have been audited by Deloitte Touche Tohmatsu Auditores Independentes, an independent registered public accounting firm, as stated in their report appearing therein.

GENERAL INFORMATION

(1) We operate as a multiple service bank in accordance with Article 4 of its Articles of Association. The establishment of the Program and the issuance of the Notes thereunder by us are authorized by our Bylaws and by a resolution of our Executive Commission, passed on March 11, 2003. On March 22, 2011, our Executive Commision passed a resoluition authorizing the increase of the maximum nominal amount of Notes outstanding at any time under the Program to U.S.$ 10,000,000,000, and on March 30, 2012 our Executive Commision passed a resolution authorizing the update of the Program and the Information Memorandum for 2012. As a matter of Cayman Islands law, no separate resolutions by the Santander Grand Cayman Branch are required.

(2) Application has been made to admit the Program for listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. Santander may apply to, but is not obliged to, admit the Notes to be issued under the Program to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. The Final Terms applicable to a Series will specify whether or not Notes of such Series have been admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. In case the Notes are not admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market, Santander is not obliged to list the Notes on any other stock exchange.

(3) The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg clearance systems. The appropriate Common Code and International Securities Identification Number (ISIN) for each series of Notes will be set forth in the Final Terms relating thereto. In addition, the Issuer will (or, in relation to Notes denominated in a currency other than U.S. dollars, may) make an application with respect to each Series of Notes sold pursuant to Rule 144A for such Notes to be accepted for trading in book-entry form by DTC. All payments of principal and interest with respect to Notes denominated in any currency other than U.S. dollars and registered in the name of the nominee for DTC will be converted to U.S. dollars unless the relevant participants in DTC elect to receive such payment of principal or interest in that other currency. Acceptance of each Series of Notes for trading through DTC will be confirmed in the Final Terms relating thereto.

(4) Copies of the Information Memorandum and any supplemental information memorandum, the Final Terms, the Trust Deed, the documents of our incorporation, our most recent audited consolidated annual financial statements (in English), and the most recent audited consolidated semi-annual financial statements (in English) of Santander may be obtained free of charge, during the term of the Notes: (i) in the City of Luxembourg, at the office of the Listing Agent for the Notes on the Luxembourg Stock Exchange, (ii) at the office of any Paying Agent and (iii) at our registered office in São Paulo, Brazil. We do not publish any unconsolidated financial statements. Our branches do not publish stand-alone financial statements.

(5) The Issuer has agreed that, for so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery of such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or Trustee, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

(6) The financial statements included elsewhere in this information memorandum have been prepared in accordance with IFRS. Since December 31, 2011 (the date of the latest audited financial statements of the Issuer which are included elsewhere in this information memorandum), except as disclosed herein, there has been no material adverse change in the condition, financial or otherwise, or in the earnings, operations, business affairs or business prospects of the Issuer.

(7) Except as disclosed herein, there are no pending actions, suits or proceedings against or affecting the Issuer which, if determined adversely, would, individually or in the aggregate, have a material adverse

effect on the condition, financial or otherwise, or on the earnings, operations, business affairs or business prospects of Santander as a whole, or be material in the context of the issuance of the Notes and the listing of the Notes, and to the best knowledge of the Issuer, no such actions, suits or proceedings are threatened or contemplated.

(8) Each Final Terms will set forth, with regard to each Series of Notes, if any, in respect of which this information memorandum is being delivered, certain information relating to the issuance of Notes under the Program. A form of Final Terms is attached to this information memorandum as Annex A.

(9) All the members of the Board of Directors and officers of the Executive Board of the Issuer and certain experts named herein reside outside the United States. Substantially all the assets of these persons and of the Issuer are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce in the United States against such persons or the Issuer judgments obtained in the United States courts predicated upon the civil liability provisions of the federal securities laws of the United States.

(10) All consents, approvals, authorizations and other orders of all regulatory authorities under the laws of Brazil or the Cayman Islands have been given for the establishment of the Program, the issuance of Notes under the Program and the execution of the Trust Deed and are in full force and effect, except for (A) where we are acting through our head office in Brazil, the (i) registration of the main financial terms under the relevant Declaratory Registry of Financial Operations (*Registro Declaratorio de Operações Financeiras*, or ROF) on the System of Information of the Brazilian Central Bank for the issue of any series of Notes by us, which shall be obtained prior to any such issuance, (ii) Schedule of Payments in connection with any such issuance, which shall be obtained after the entry of the related proceeds into Brazil, and (iii) further authorization from the Brazilian Central Bank required to enable us to remit payments abroad in foreign currency under any series of Notes other than scheduled payments of principal, interest, commissions, costs and expenses contemplated by the relevant ROF or to make any payment provided for in such ROF earlier than the due date thereof or on a date after the 120th day from the payment dates scheduled therein, and (B) where we are acting through our Grand Cayman Branch, the approval of the Brazilian Central Bank for us to make any payment in the relevant Specified Currency with funds derived from Brazilian sources.

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Audited Consolidated Financial Statements of Banco Santander (Brasil) S.A. as of December 31, 2011, 2010 and 2009 and for the Years Ended December 31, 2011, 2010 and 2009

Deloitte.

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Management and Shareholders of
Banco Santander (Brasil) S.A.
São Paulo - SP

We have examined the consolidated financial statements of Banco Santander (Brasil) S.A. and subsidiaries ("Bank"), consisting of the consolidated balance sheet as of December 31, 2011 and the related consolidated statements of income, recognized income and expense, changes in stockholders' equity and cash flows for the year then ended, and a summary of the significant accounting practices and other notes to the financial statements.

Management's responsibility for the consolidated financial statements

The Bank's Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB, and for the internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit, which was conducted in accordance with Brazilian and international standards on auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing selected procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to in paragraph 1 present fairly, in all material respects, the consolidated financial position of Banco Santander (Brasil) S.A. and subsidiaries as of December 31, 2011, and the results of their operations and their cash flows for the year then ended, in conformity with International Financial Reporting Standards - IFRS as issued by the International Accounting Standards Board - IASB.

Other matters

Statements of value added

We have also examined the consolidated statement of value added ("DVA") included in the note 41 as supplemental information for the year ended December 31, 2011, prepared under the responsibility of the Bank's management, whose presentation by publicly-held companies is required by Brazilian Corporate Law, and as supplemental information for IFRS that does not require a presentation of DVA. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 29, 2012

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Gilberto Bizerra de Souza
Engagement Partner

2011-2616

Santander

BANCO SANTANDER (BRASIL) S.A.

CONSOLIDATED BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

(Thousands of Brazilian Reais - R$)

ASSETS	Note	2011	2010	2009
CASH AND BALANCES WITH THE BRAZILIAN CENTRAL BANK	4	65,938,003	56,800,151	27,269,012
FINANCIAL ASSETS HELD FOR TRADING		29,901,495	24,821,365	20,115,652
Loans and amounts due from credit institutions	5	-	47,662	67,170
Debt instruments	6	25,298,804	16,472,413	12,554,035
Equity instruments	7	448,209	3,283,931	2,544,441
Trading derivatives	8	4,154,482	5,017,359	4,950,006
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		665,369	17,939,781	16,294,460
Loans and amounts due from credit institutions	5	60,813	292,034	1,907,265
Loans and advances to customers	9	-	-	389,113
Debt instruments	6	230,037	224,388	210,973
Equity instruments	7	374,519	17,423,359	13,787,109
AVAILABLE-FOR-SALE FINANCIAL ASSETS		44,608,201	47,206,019	46,406,120
Debt instruments	6	43,300,354	45,477,982	44,745,924
Equity instruments	7	1,307,847	1,728,037	1,660,196
LOANS AND RECEIVABLES		202,757,191	174,106,525	152,162,954
Loans and amounts due from credit institutions	5	19,628,861	22,658,520	24,228,143
Loans and advances to customers	9	183,066,268	151,366,561	127,934,811
Debt instruments	6	62,062	81,444	-
HEDGING DERIVATIVES	8	80,708	115,640	163,425
NON-CURRENT ASSETS HELD FOR SALE	10	132,388	66,821	171,464
INVESTMENTS IN ASSOCIATES	11	422,225	370,586	419,122
TANGIBLE ASSETS	12	5,008,306	4,518,109	3,701,769
INTANGIBLE ASSETS		31,435,080	31,962,619	31,617,939
Goodwill	13	27,217,565	28,312,236	28,312,236
Other intangible assets	14	4,217,515	3,650,383	3,305,703
TAX ASSETS		16,250,373	14,842,066	15,779,222
Current		2,077,224	1,217,186	2,162,063
Deferred	23	14,173,149	13,624,880	13,617,159
OTHER ASSETS	15	2,686,743	1,913,001	1,871,437
TOTAL ASSETS		**399,886,082**	**374,662,683**	**315,972,576**

* For a better disclosure, are being released compared the Balance Sheet of the last two years, even without any adjustments or retrospective restatement of previously disclosed information.

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

BANCO SANTANDER (BRASIL) S.A.
CONSOLIDATED BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Thousands of Brazilian Reais - R$)

LIABILITIES AND EQUITY	Note	2011	2010	2009
FINANCIAL LIABILITIES HELD FOR TRADING		5,047,288	4,784,653	4,434,734
Trading derivatives	8	4,709,660	4,755,314	4,401,709
Short positions	8	337,628	29,339	33,025
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	1,795
Deposits from credit institutions	16	-	-	1,795
FINANCIAL LIABILITIES AT AMORTISED COST		291,451,686	253,340,771	203,567,734
Deposits from Central Bank and deposits from credit institutions	16	51,527,021	42,391,572	21,195,959
Customer deposits	17	174,473,891	167,949,201	149,440,156
Marketable debt securities	18	38,590,423	20,086,645	11,439,010
Subordinated liabilities	19	10,908,344	9,695,105	11,304,445
Other financial liabilities	20	15,952,007	13,218,248	10,188,164
HEDGING DERIVATIVES	8	36,071	112	9,806
LIABILITIES FOR INSURANCE CONTRACTS	21	-	19,643,129	15,527,197
PROVISIONS		9,515,295	9,395,161	9,480,262
Provisions for pensions funds and similar obligations	22	1,246,040	1,190,108	1,096,799
Provisions for judicial and administrative proceedings, commitments and other provisions	22	8,269,255	8,205,053	8,383,463
TAX LIABILITIES		11,875,899	10,529,625	9,456,537
Current		8,127,795	6,249,466	5,588,680
Deferred	23	3,748,104	4,280,159	3,867,857
OTHER LIABILITIES	24	3,927,851	3,605,838	4,227,768
TOTAL LIABILITIES		**321,854,090**	**301,299,289**	**246,705,833**
SHAREHOLDERS' EQUITY	27	77,044,886	72,571,563	68,706,363
Share capital		62,634,585	62,634,585	62,612,455
Reserves		9,950,144	6,094,885	2,161,302
Treasury shares		(112,768)	-	-
Profit for the year attributable to the Parent		7,747,925	7,382,093	5,507,606
Less: dividends and remuneration		(3,175,000)	(3,540,000)	(1,575,000)
VALUATION ADJUSTMENTS	25	968,146	783,755	559,042
Available-for-sale financial assets		960,199	949,597	791,966
Cash flow hedges		7,947	(165,842)	(232,924)
NON-CONTROLLING INTERESTS	26	18,960	8,076	1,338
TOTAL EQUITY		**78,031,992**	**73,363,394**	**69,266,743**
TOTAL LIABILITIES AND EQUITY		**399,886,082**	**374,662,683**	**315,972,576**

* For a better disclosure, are being released compared the Balance Sheet of the last two years, even without any adjustments or retrospective restatement of previously disclosed information.

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

Santander

BANCO SANTANDER (BRASIL) S.A.

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

(Thousands of Brazilian Reais - R$, except for per share data)

	Note	2011	2010	2009
Interest and similar income	29	51,736,080	40,909,204	39,342,956
Interest expense and similar charges	30	(23,834,316)	(16,814,126)	(17,175,865)
NET INTEREST INCOME		**27,901,764**	**24,095,078**	**22,167,091**
Income from equity instruments	31	93,727	51,721	29,903
Income from companies accounted for by the equity method	11	54,216	43,942	295,414
Fee and commission income	32	8,769,170	7,833,293	7,148,164
Fee and commission expense	33	(1,429,672)	(997,785)	(910,402)
Gains (losses) on financial assets and liabilities (net)	34	(113,659)	1,458,150	2,716,323
Financial assets held for trading		(902,167)	1,159,058	2,032,272
Other financial instruments at fair value through profit or loss		57,039	(26,828)	(10,132)
Financial instruments not measured at fair value through profit or loss		705,279	254,162	755,916
Other		26,190	71,758	(61,733)
Exchange differences (net)	35	(121,364)	416,900	(51,191)
Other operating income (expense)	36	(379,418)	(347,999)	(115,624)
TOTAL INCOME		**34,774,764**	**32,553,300**	**31,279,678**
Administrative expenses		(12,372,632)	(11,230,602)	(10,947,217)
Personnel expenses	37	(6,643,731)	(5,926,176)	(5,510,972)
Other administrative expenses	38	(5,728,901)	(5,304,426)	(5,436,245)
Depreciation and amortization		(1,462,034)	(1,237,410)	(1,248,612)
Tangible assets	12	(570,132)	(487,626)	(447,138)
Intangible assets	14	(891,902)	(749,784)	(801,474)
Provisions (net)	22	(3,061,463)	(1,974,326)	(3,480,693)
Impairment losses on financial assets (net)		(9,381,549)	(8,233,810)	(9,966,404)
Loans and receivables	9	(9,381,549)	(8,232,912)	(9,982,881)
Other financial instruments not measured at fair value through profit or loss		-	(898)	16,477
Impairment losses on other assets (net)		(38,646)	(20,600)	(900,554)
Other intangible assets	14.b	(17,070)	(813)	(859,216)
Other assets		(21,576)	(19,787)	(41,338)
Gains (losses) on disposal of assets not classified as non-current assets held for sale	39	5,320	(59,186)	3,369,301
Gains (losses) on non-current assets held for sale not classified as discontinued operations	40	446,776	199,137	31,630
OPERATING PROFIT BEFORE TAX		**8,910,536**	**9,996,503**	**8,137,129**
Income taxes	23	(1,154,683)	(2,613,929)	(2,629,165)
CONSOLIDATED PROFIT FOR THE YEAR		**7,755,853**	**7,382,574**	**5,507,964**
Profit attributable to the Parent		7,747,925	7,382,093	5,507,606
Profit attributable to non-controlling interests	26	7,928	481	358
EARNINGS PER SHARE (Reais)	27			
Basic and Diluted earnings per 1,000 share (Reais - R$)				
Common shares		18.55	17.67	15.32
Preferred shares		20.41	19.44	16.85
Profit attributable (Reais - R$)				
Common shares		3,948,342	3,761,914	2,813,623
Preferred shares		3,799,583	3,620,179	2,693,983
Weighted average shares outstanding (in thousands) - basic and diluted				
Common shares		212,841,732	212,841,732	183,650,861
Preferred shares		186,202,385	186,202,385	159,856,132

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

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BANCO SANTANDER (BRASIL) S.A.
CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Thousands of Brazilian Reais - R$)

	2011	2010	2009
CONSOLIDATED PROFIT FOR THE YEAR	**7,755,853**	**7,382,574**	**5,507,964**
OTHER RECOGNIZED INCOME AND EXPENSE	**184,391**	**224,713**	**45,425**
Available-for-sale financial assets	102,092	328,349	62,088
Valuation adjustments	*807,371*	*582,511*	*818,004*
Amounts transferred to income statement	*(705,279)*	*(254,162)*	*(755,916)*
Cash flow hedges	276,752	121,335	65,017
Valuation adjustments	*15,149*	*121,335*	*65,017*
Amounts transferred to income statement	*261,603*	-	-
Income taxes	(194,453)	(224,971)	(81,680)
TOTAL RECOGNIZED INCOME AND EXPENSE	**7,940,244**	**7,607,287**	**5,553,389**
Attributable to the Parent	7,932,316	7,606,806	5,553,031
Attributable to non-controlling interests	7,928	481	358
TOTAL	**7,940,244**	**7,607,287**	**5,553,389**

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

BANCO SANTANDER (BRASIL) S.A.

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

(Thousands of Brazilian Reais - R$)

		Equity Attributable to the Parent					
		Shareholders' Equity					
	Note	Share Capital	Reserves	Treasury Shares	Profit Attributed to the Parent	Dividends and Remuneration	Total Shareholders' Equity
Balances at December 31, 2008		**47,152,201**	**1,240,031**	**-**	**2,378,395**	**(1,453,045)**	**49,317,582**
Total recognized income and expense		**-**	**-**	**-**	**5,507,606**	**-**	**5,507,606**
Other changes in Equity							
Appropriation of profit for the year		-	2,378,395	-	(2,378,395)	-	**-**
Dividends and interest on capital	27.b	-	(1,453,045)	-	-	(121,955)	**(1,575,000)**
Capital increase	27.a	15,460,254	-	-	-	-	**15,460,254**
Acquisition of own shares	27.e	-	-	(1,948)	-	-	**(1,948)**
Other		-	(4,079)	1,948	-	-	**(2,131)**
Balances at December 31, 2009		**62,612,455**	**2,161,302**	**-**	**5,507,606**	**(1,575,000)**	**68,706,363**
Total recognized income and expense		**-**	**-**	**-**	**7,382,093**	**-**	**7,382,093**
Other changes in Equity							
Appropriation of profit for the year		-	5,507,606	-	(5,507,606)	-	**-**
Dividends and interest on capital	27.b	-	(1,575,000)	-	-	(1,965,000)	**(3,540,000)**
Capital increase	27.a	22,130	(22,130)	-	-	-	**-**
Equity-instruments-based payments	37.b	-	20,976	-	-	-	**20,976**
Other		-	2,131	-	-	-	**2,131**
Balances at December 31, 2010		**62,634,585**	**6,094,885**	**-**	**7,382,093**	**(3,540,000)**	**72,571,563**
Total recognized income and expense		**-**	**-**	**-**	**7,747,925**	**-**	**7,747,925**
Other changes in Equity							
Appropriation of profit for the year		-	7,382,093	-	(7,382,093)	-	**-**
Dividends and interest on capital	27.b	-	(3,540,000)	-	-	365,000	**(3,175,000)**
Equity-instruments-based payments	37.b	-	13,153	-	-	-	**13,153**
Treasury shares	27.e	-	-	(112,768)	-	-	**(112,768)**
Results of treasury shares	27.e	-	13	-	-	-	**13**
Other		-	-	-	-	-	**-**
Balances at December 31, 2011		**62,634,585**	**9,950,144**	**(112,768)**	**7,747,925**	**(3,175,000)**	**77,044,886**

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

Santander

BANCO SANTANDER (BRASIL) S.A.
CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(Thousands of Brazilian Reais - R$)

	Note	2011	2010	2009
1. CASH FLOWS FROM OPERATING ACTIVITIES				
Consolidated profit for the year		**7,755,853**	**7,382,574**	**5,507,964**
Adjustments to profit		**11,915,926**	**11,415,282**	**10,885,192**
Depreciation of tangible assets	12	570,132	487,626	447,138
Amortization of intangible assets	14.b	891,902	749,784	801,474
Impairment losses on other assets (net)		38,646	20,600	859,216
Provisions and Impairment losses on financial assets (net)		12,443,012	10,208,136	13,463,574
Gains (losses) on disposal of tangible assets, investments and non-current assets held for sale		(452,096)	(139,951)	(3,369,301)
Share of results of entities accounted for using the equity method	11	(54,216)	(43,942)	(295,414)
Changes in deferred tax assets and liabilities		(1,534,607)	112,053	(1,021,495)
Others		13,153	20,976	-
Net (increase) decrease in operating assets		**(57,373,896)**	**(74,520,336)**	**(11,978,247)**
Cash and Bank with the brazilian central bank		(8,824,495)	(45,103,539)	(1,588,979)
Financial assets held for trading		(5,080,130)	(4,705,713)	2,129,972
Other financial assets at fair value through profit or loss		(4,277,011)	(1,645,321)	78,642
Available-for-sale financial assets		2,696,868	(471,550)	(13,703,838)
Loans and receivables		(39,864,486)	(24,059,733)	1,029,639
Other assets		(2,024,642)	1,465,520	76,317
Net increase (decrease) in operating liabilities		**28,524,361**	**46,406,369**	**(14,648,437)**
Financial liabilities held for trading		262,635	349,919	(6,776,832)
Other financial liabilities at fair value through profit or loss		-	(1,795)	(305,581)
Financial liabilities at amortized cost		24,290,139	46,469,159	(9,656,576)
Other liabilities		3,971,587	(410,914)	2,090,552
Payments of income tax		**(1,932,317)**	**(1,043,419)**	**(1,973,257)**
Total net cash flows from operating activities (1)		**(11,110,073)**	**(10,359,530)**	**(12,206,785)**
2. CASH FLOWS FROM INVESTING ACTIVITIES				
Investments		**(2,547,692)**	**(2,372,866)**	**(3,129,033)**
Tangible assets	12	(1,074,509)	(1,319,869)	(1,815,803)
Intangible assets	14.b	(1,478,802)	(1,086,208)	(1,466,411)
Capital Increase in affiliates		(6,356)	-	-
Dividends and Interest on Capital Received	11-b	11,975	33,211	153,181
Divestments		**2,758,295**	**38,757**	**5,862,334**
Subsidiaries, jointly controlled entities and associates	3.a	2,741,102	-	4,436,325
Tangible assets		17,193	38,757	1,426,009
Total net cash flows from investing activities (2)		**210,603**	**(2,334,109)**	**2,733,301**
3. CASH FLOWS FROM FINANCING ACTIVITIES				
Capital increase	27	-	-	12,986,710
Acquisition of own shares	27	(112,755)	-	(1,948)
Issuance of subordinated liabilities	19	-	-	1,507,000
Issuance of other long-term financial liabilities	18	29,501,246	21,402,252	14,746,518
Dividends paid and interest on capital		(3,926,417)	(2,734,666)	(1,540,914)
Payments of subordinated liabilities	19	-	(2,534,750)	(159,905)
Payments of other long-term financial liabilities	18	(14,895,052)	(12,828,958)	(16,080,145)
Increase/Decrease in non-controlling interests	26	2,956	6,257	(4,299)
Total net cash flows from financing activities (3)		**10,569,978**	**3,310,135**	**11,453,017**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (1+2+3)		**(329,492)**	**(9,383,504)**	**1,979,533**
Cash and cash equivalents at beginning of year		**9,346,899**	**18,730,403**	**16,750,870**
Cash and cash equivalents at end of year		**9,017,407**	**9,346,899**	**18,730,403**
Cash and cash equivalents components				
Cash	4	3,542,707	3,158,003	3,630,669
Loans and other	5.a	5,474,700	6,188,896	15,099,734
Total of cash and cash equivalents		**9,017,407**	**9,346,899**	**18,730,403**
Non-cash transactions				
Foreclosures loans and other assets transferred to non-current assets held for sale		143,511	38,037	183,195
Shares issued in connection with acquisition of Santander Seguros S.A., Banco Comercial e de Investimento Sudameris S.A. and Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A.		-	-	2,471,413
Dividends and interest on capital declared but not paid		1,175,000	2,166,714	1,451,529
Supplemental information				
Interest received		50,042,248	40,437,556	37,399,672
Interest paid		22,901,817	16,799,971	16,860,547

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

1. Introduction, basis of presentation of the consolidated financial statements and other information

a) Introduction

Banco Santander (Brasil) S.A. (Banco Santander or Bank), indirectly controlled by Banco Santander, S.A., with headquarters in Spain (Banco Santander Spain or Santander Group), is the lead institution of the financial and non-financial group (Conglomerate Santander) with the Central Bank of Brazil (Bacen), established as a corporation, with main offices at Avenida Presidente Juscelino Kubitschek, 2041 e 2235 - Bloco A - Vila Olímpia - São Paulo - SP. Banco Santander operates as multiple bank and through its subsidiaries carries out its operations through three segments (note 42): (i) Commercial Bank, (ii) Global Wholesale Bank, which operate with commercial, exchange, investment, credit and financing, mortgage lending, leasing, credit cards and securities brokerage, and (iii) Asset Management, capitalization, asset management and insurance brokerage. Its operations are conducted as part of a set of institutions that operate on an integrated financial markets and capital.

The financial statements for the year ended on December 31, 2011 was approved by the Board of Directors at the meeting held on February 29, 2012.

b) Basis of presentation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

All accounting policies and measurement bases with a material effect on the consolidated financial statements were applied in their preparation. There were no changes in accounting policies and estimates during the year ended on December 31, 2011. The adoption of the new standards and interpretation of IFRS in 2011 did not have any impact to the comparability with the financial statements for the period ended on December 31, 2010 and 2009.

Adoption of new standards and interpretations

All standards and interpretations which came into force were adopted by the Bank in 2011. Following are the standards and interpretations applicable to the Bank:

• Revision to IAS 32 - Classification of Rights Issues: otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instrument for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

• Amendment to IAS 39 – Eligible hedged Items – This amendment provides clarification how to determinate which part can be designated as hedge accounting related to inflation and options.

• Amendments to IFRS 3 - (1) Measurement of non-controlling interests: Specifies that the option to measure non-controlling interests either at fair value or at the proportionate share of the acquiree's net identifiable assets at the acquisition date under IFRS 3 applies only to non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other components of non-controlling interests should be measured at their acquisition date fair value, unless another measurement basis is required by IFRSs, (2) Un-replaced and voluntary replaced share based payment awards, specifies that the current requirement to measure awards of the acquirer that replace acquiree share-based payment transactions in accordance with IFRS 2 at the acquisition date ('market-based measure') applies also to share-based payment transactions of the acquiree that are not replaced and also specifies that the current requirement to allocate the market-based measure of replacement awards between the consideration transferred for the business combination and post-combination remuneration applies to all replacement awards regardless of whether the acquirer is obliged to replace the awards or does so voluntarily, (3) transitional requirements for contingent consideration from a business combination that occurred before the effective date clarifies that IAS 32, IAS 39 and IFRS 7 do not apply to contingent consideration that arose from business combinations whose acquisition dates preceded the application of IFRS 3.

• Amendments to IAS 27 - Requirements for transition to the upgrade of IAS 27: clarifies that the update made by IAS 21, IAS 28 and IAS 31 as a result of IAS 27 should be applied prospectively (with the exception of paragraph 35 of IAS 28 and paragraph 46 of IAS 31) in which must be applied retrospectively.

• Amendment to IAS 34 - significant events and transactions: emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report, also clarifies how to apply this principle in respect of financial instruments and their fair values.

• Amendment to IFRIC 13 - fair value of award credit: clarifies that the 'fair value' of award credits should take into account: (1) the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale; and (2) any expected forfeitures.

• Amendment to IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction- This IFRIC has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognize prepayments of minimum funding contributions, as an asset. Entities shall apply this Interpretation prospectively for annual periods beginning on or after January 1, 2011.

Standards and interpretations effective subsequent to December 31, 2011

The Bank has not yet adopted the following new or revised IFRS or Interpretations, which have been issued but their effective date is subsequent to the date of these financial statements:

• IFRS 9 – Financial Instruments: Recognition and Measurement – The main changes of IFRS 9 compared to IAS 39 are: (i) All recognized financial assets that are currently in the scope of IAS 39 will be measured at either amortized cost or fair value; (ii) IFRS 9 does not retain IAS 39's concept of embedded derivatives for hybrid contracts if the host contract is a financial asset within the scope of IFRS 9; (iii) the guidance included in IFRS 9 retains the classification criteria for financial liabilities currently contained in IAS 39. However, there are two key differences, relating to presentation and measurement, compared to IAS 39: (a) the presentation of the effects of changes in fair value attributable to a liability's credit risk; and (b) the elimination of the cost exemption for derivative liabilities to be settled by delivery of unquoted equity instruments. This standard is effective for annual periods beginning on or after January 1, 2013.

• Amendment to IFRS 7 - clarifications of disclosures: encourages qualitative disclosures in the context of the quantitative disclosure required to help users in comparing the financial statements. Entities shall apply this Interpretation prospectively for annual periods beginning on or after 1 January 2013.

• The amendments to IAS 1 - clarifications of disclosures: comprehensive income (OCI) - and their classification within OCI. Because of anticipated changes in IFRS 9, IAS 19 among others, the IASB explains how to display the components that fit the requirements of this standard. The amendments are effective for reporting periods beginning on or later 1 July 2012.

• IFRS 10 - Consolidated Financial Statements replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements (2008) and SIC-12 Consolidation — Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (so whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee; and iii) the ability to use its power over the investee to affect the amount of the returns.

• IFRS 11 - Joint Arrangements introduces new accounting requirements for joint arrangements, which replaces IAS 31 - Interests in Joint Ventures. According to IFRS 11, will be obligatory to use the equity method and is not allowed to choose the method of accounting for jointly controlled entity. The fundamental principle of IFRS 11 is that parts of a joint venture agreement must determine the type of joint venture in question, based on the assessment of rights and obligations and, according to the accounting for the type of joint venture. There are two types of joint ventures:

- Joint Operations: Rights and obligations on the assets and liabilities related to the agreement. The parties acknowledge their assets, liabilities and related income and expenses.

- Joint Venture: Rights to the net assets of the Agreement. The parties acknowledge their investments by the equity method.

• IFRS 12 - Disclosures of Involvement with Other Entities requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

• IAS 27 - Separate Financial Statements (2011) keeps the requirements relating to separate financial statements. The other portions of IAS 27(2008) are replaced by IFRS 10.

• IAS 28 - Investments in Associates and Joint Ventures (2011) amended IAS 28 Investments in Associates (2008) to conform changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

The standards previously mentioned have an effective date for annual periods beginning on January 2013, with earlier application permitted so long as each of the other standards mentioned are also early applied. The early adoption for financial institutions in Brazil is subject to the pronouncements issued by the IASB, translated into Portuguese by a Brazilian entity accredited by the International Accounting Standards Committee Foundation (IASC Foundation). However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without technically early applying of the others items of IFRS.

On 12 May 2011, the IASB also issued IFRS 13 - Fair Value Measurement, which replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 is effective for annual periods beginning on January 2013 with early application permitted.

On 16 June 2011, the IASB issued amendments to IAS 19 - Employee Benefits (2011) (the “amendments”) that change the accounting for defined benefit plans and termination benefits. The amendments require the recognition of changes in the defined benefit obligation and in plan assets when those changes occur, eliminating the corridor approach and accelerating the recognition of past service costs. Changes in the defined benefit obligation and plan assets are disaggregated into three components: service costs, net interest on the net defined benefit liabilities (assets) and remeasurements of the net defined benefit (assets). Net interest is calculated using high quality corporate Bond yield. This may be lower than the rate currently used to calculate the expected return on plan assets, resulting in a decrease in net income. The amendments are effective for annual periods beginning on 1 January 2013, with earlier application permitted. Retrospective application is required with certain exceptions.

On 16 June 2011, the IASB also issued “Presentation of Items of Other Comprehensive Income” (amendments to IAS 1). The amendments to IAS 1 are the result of a joint Project with the US Financial Accounting Standards Board and provide guidance on the presentation of items contained in the comprehensive income (OCI) and their classification within OCI. The amendments are effective for reporting periods beginning on or later 1 July 2012, with earlier application permitted.

On December 16, 2011, the IASB has postponed the date for mandatory adoption of IFRS 9 and their disclosure items referred to transient changes in IFRS 7 to January 2015.

The Bank does not expect the adoption of the above-mentioned standards and interpretations to have a material effect on the consolidated financial statements taken as a whole, except to IFRS 9, which the Bank is analyzing the impacts from the adoption of this standard.

c) Estimates made

The consolidated results and the determination of consolidated equity are influenced by the accounting policies, assumptions, estimates and measurement bases used by the management of the Bank in preparing the consolidated financial statements. The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities of future periods. All estimates and assumptions required, in conformity with IFRS, are best estimates undertaken in accordance with the applicable standard.

In the consolidated financial statements estimates were made by the management of the Bank and of the consolidated entities in order to quantify certain of the assets, liabilities, income, expenses and disclosure notes. These estimates, which were made on the basis of the best information available, relate mainly to the following:

- Fair value measurement of certain financial instruments are further discussed in note 2-d.
- Allowance for loan losses are further discussed in note 2-h.
- Impairment losses on certain assets other than loans (including goodwill and other tangible and intangible assets) are further discussed in note 2-m and 2-n.
- Measurement of goodwill in a business combination are further discussed in note 2-n.
- The useful life of tangible and intangible assets are further discussed in note 2-m, 2-n and 14.
- Other assets are further discussed in note 2-k and 2-o.
- Provisions, contingent assets and liabilities are further discussed in note 2-q.
- Post-employment benefits are further discussed in note 2-w.
- Recognition and evaluation of deferred taxes are further discussed in note 2-z.

These estimates are based on current expectations and estimates on projections of future events and trends, which may affect the consolidated financial statements. The principal assumptions that may affect these estimates, in addition to those previously mentioned above, relate to the following factors:

- Changes in deposit amounts, customer basis and defaults by borrowers;
- Changes in interest rates;
- Changes in inflation rates;
- Government regulation and tax matters;
- Adverse legal or regulatory disputes or proceedings;
- Credit, market and other risks of lending and investment activities;
- Changes in market values of Brazilian securities, particularly Brazilian government securities; and
- Changes in regional, national and international business and economic conditions.

d) Capital management

Capital management considers the regulatory and economic levels. The objective is to achieve an efficient capital structure in terms of cost and compliance, meeting the requirements of the regulatory body and contributing to achieving the goals of the classification of rating agencies and investors' expectations. The capital management includes securitization, sale of assets, raising capital through issue of shares, subordinated liabilities and hybrid instruments.

From an economic standpoint, capital management seeks to optimize value creation at the Bank and at its different business segment. To this end, the economic capital, RORAC (return on risk-adjusted capital) and value creation data for each business segment are generated, analyzed and reported to the management committee on a quarterly basis. Within the framework of the internal capital adequacy assessment process (Pillar 2 of the Basel Capital Accord), the Group uses an economic capital measurement model with the objective of ensuring that there is sufficient capital available to support all the risks of its activity in different economic scenarios, with the solvency levels agreed upon by the Group.

In order to adequately manage the Bank’s capital, it is essential to estimate and analyze future needs, in anticipation of the various phases of the business cycle. Projections of regulatory and economic capital are made based in financial projections (balance sheet, income statement, etc.) and on macroeconomic scenarios estimated by the Economic Research Service. These estimates are used by the Bank as a reference to plan the management actions (issues, securitizations, etc.) required to achieve its capital targets.

2. Accounting policies and measurement bases

The accounting policies and measurement bases applied in preparing the consolidated financial statements were as follows:

a) Foreign currency transactions

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Brazilian Reais, the functional currency of the Bank and subsidiaries and the presentation currency for the consolidated financial statements. The assets and liabilities that are monetary items are converted by exchange rates at the end of the period, the non-monetary items are stated at historical cost in foreign exchange rates at the date of such transactions and the income statement balances is converted by the average exchange rates for the period.

The exchange differences arising on the translation of foreign currency balances to the functional currency are generally recognized at their net amount under “Exchange differences” in the consolidated income statement, except for exchange differences arising on financial instruments at fair value through profit or loss, which are recognized in the consolidated income statement without distinguishing them from other changes in fair value.

b) Basis of consolidation

i. Subsidiaries

"Subsidiaries" are defined as entities over which the Bank has the control. It is understood as defining control the power designated the Bank as controller to govern the financial and operating policies of an entity, as stipulated by the law, the Bylaws or agreement, so as to obtain benefits from its activities.

The financial statements of the subsidiaries are fully consolidated with those of the Bank. Accordingly, all balances and transactions between consolidated entities are eliminated on consolidation.

On acquisition of a subsidiary, its assets, liabilities and contingent liabilities are recognized at fair value at the date of acquisition. Any positive differences between the acquisition cost and the fair values of the identifiable net assets acquired are recognized as goodwill (note 13). Negative differences are charged to income on the date of acquisition.

Additionally, the share of third parties of the Bank's equity is presented under "Non-controlling interests" in the consolidated balance sheet (note 26). Their share of the profit for the year is presented under "Profit attributable to non-controlling interests" in the consolidated income statement. Changes in the Bank's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Bank's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

The Appendix I contains significant information on these entities.

ii. Interests in joint ventures (jointly controlled entities) and associates

"Joint ventures" are deemed to be ventures that are not subsidiaries but which are jointly controlled by two or more unrelated entities. This is evidenced by contractual arrangements whereby two or more entities ("ventures") acquire interests in entities (jointly controlled entities) or undertake operations or hold assets so that strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers.

Associates are entities over which the Bank is in a position to exercise significant influence, but not control or joint control, usually because it holds 20% or more of the voting power of the investee.

In the consolidated financial statements, interest in joint ventures and investments in associates are accounted for using the equity method, i.e. at the Bank's share of net assets of the investee, after taking into account the dividends received there from and other equity eliminations. In the case of transactions with an associate, the related profits or losses are eliminated to the extent of the Bank's investment in the associate. Relevant information regarding companies accounted for under the equity method by the Bank is provided in note 11.

iii. Special purpose entities

When the Bank incorporates special purpose entities, or holds ownership interests therein, to enable its customers to access certain investments, or for the transfer of risks or other purposes, Bank assesses, using internal criteria and procedures, and taking into consideration the applicable legislation, whether control (as defined above) exists and, therefore, whether these entities should be consolidated. These criteria and procedures take into account, among other things, the risks and rewards retained by the Bank and, accordingly, all relevant matters are taken into consideration, including any guarantees granted or any losses associated with the collection of the related assets retained by the Bank. These entities include the securitization special purpose vehicles, which are fully consolidated in the case of the SPVs over which, based on the aforementioned analysis, it is considered that the Bank continues to exercise control.

iv. Business combinations, acquisitions and disposals

A business combination is the bringing together of two or more separate entities or economic units into one single entity or group of entities and is accounted for in accordance with IFRS 3, "Business Combinations".

Business combinations are performed whereby the Bank obtains control over an entity are recognized for accounting purposes as follows:

- The Bank measures the cost of the business combination, defined as the fair value of the assets given, the liabilities incurred and the equity instruments issued, if any.

- The fair values of the assets, liabilities and contingent liabilities of the acquired entity or business, including any intangible assets which might not have been recognized by the acquiree, are estimated and recognized in the consolidated balance sheet.

- Any positive difference between the net fair value of the assets, liabilities and contingent liabilities of the acquiree and the cost of the business combination is recognized as Goodwill based on future economic benefits.

Also, note 3 below includes a description of the most significant transaction carried out in 2011.

c) Definitions and classification of financial instruments

i. Definitions

A “financial instrument” is any contract that gives rise to a financial asset of one entity and, simultaneously, to a financial liability or equity instrument of another entity.

An “equity instrument” is any agreement that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A “financial derivative” is a financial instrument whose value changes in response to the change in an observable market variable (such as an interest rate, foreign exchange rate, financial instrument price, market index or credit rating), whose initial investment is very small compared with other financial instruments with a similar response to changes in market factors, and which is generally settled at a future date.

“Hybrid financial instruments” are contracts that simultaneously include a non-derivative host contract together with a derivative, known as an embedded derivative, that is not separately transferable and has the effect that some of the cash flows of the hybrid contract vary in a way similar to a stand-alone derivative.

The following transactions are not treated for accounting purposes as financial instruments:

• Investments in subsidiaries, jointly controlled entities and associates (note 11).

• Rights and obligations under employee benefit plans (note 22).

ii. Classification of financial assets for measurement purposes

Financial assets are initially classified into the various categories used for management and measurement purposes, unless they have to be presented as “Non-current assets held for sale” or they relate to “Cash and balances with the Brazilian Central Bank”, “Hedging derivatives” and “Investment in associates”, which are reported separately.

Financial assets are included for measurement purposes in one of the following categories:

• Financial assets held for trading (at fair value through profit or loss): this category includes the financial assets acquired for the purpose of generating a profit in the near term from fluctuations in their prices and financial derivatives that are not designated as hedging instruments.

• Other financial assets at fair value through profit or loss: this category includes hybrid financial assets not held for trading that are measured entirely at fair value and financial assets not held for trading that are included in this category in order to obtain more relevant information, either because this eliminates or significantly reduces recognition or measurement inconsistencies (“accounting mismatches”) that would arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases, or because a group of financial assets or financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided on that basis to the Bank’s key management personnel.

Financial instruments included in this category (and “Other financial liabilities at fair value through profit or loss”) are permanently subject to a consistent system of measuring, managing and controlling risks and returns that enables all the financial instruments involved to be monitored and identified and allows the effective reduction of risk to be checked. Financial assets may only be included in this category on the date they are acquired or originated.

• Available-for-sale financial assets: this category includes debt instruments not classified as “Held-to-maturity investments”, “Loans and receivables” or “Financial assets at fair value through profit or loss”, and equity instruments issued by entities other than subsidiaries, associates and jointly controlled entities, provided that such instruments have not been classified as “Financial assets held for trading” or as “Other financial assets at fair value through profit or loss”.

Available-for-sale financial assets are stated at fair value. This category includes debt instruments not classified as “Held-to-maturity investments”, “Loans and receivables” or “Financial assets at fair value through profit or loss”, and equity instruments issued by entities other than subsidiaries, associates and jointly controlled entities, provided that such instruments have not been classified as “Financial assets held for trading” or as “Other financial assets at fair value through profit or loss”. Gains and losses arising from changes in fair value are recognized in "Equity" in the line item "Valuation Adjustment" with the exception of impairment losses, which are recognized in profit or loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in "Equity - Valuation Adjustments" is reclassified to profit or loss.

• Loans and receivables: this category includes financing granted to third parties, based on their nature, irrespective of the type of borrower and the form of financing, including finance lease transactions in which the consolidated entities act as lessors. The consolidated entities generally intend to hold the loans and credits granted by them until their final maturity and, therefore, they are presented in the consolidated balance sheet at their amortized cost (which includes the required adjustments to reflect estimated impairment losses).

• Held-to-maturity investments: this category includes debt instruments traded in an active market, with fixed maturity and with fixed or determinable payments, for which the Bank has both the intention and proven ability to hold to maturity. These investments are measured at amortized cost less any impairment, with revenue recognized on an effective yield basis.

iii. Classification of financial assets for presentation purposes

Financial assets are classified by nature into the following items in the consolidated balance sheet:

• Cash and balances with the Brazilian Central Bank: cash balances and balances receivable on demand relating to deposits with the Brazilian Central Bank.

• Loans and receivables: includes the balance of loans granted by the Bank, other than those represented by securities, as well as finance lease receivables and other debit balances of a financial nature in favor of the Bank, such as checks drawn on credit institutions, balances receivable from clearing houses and settlement agencies for transactions on the stock exchange and organized markets, bonds given in cash, capital calls, fees and commissions receivable for financial guarantees and debit balances arising from transactions not originated in banking transactions and services, such as the collection of rentals and similar items.

• Loans and amounts due from credit institutions: credit of any nature in the name of credit institutions.

• Loans and advances to customers: includes the debit balances of all the remaining credit and loans granted by the Bank, other than those represented by securities, including money market operations through central counterparties.

• Debt instruments: bonds and other securities that represent a debt for their issuer, that generate an interest return, and that are in the form of certificates or book entries.

• Equity instruments: financial instruments issued by other entities, such as shares, which have the nature of equity instruments for the issuer, unless they are investments in subsidiaries, jointly controlled entities or associates. Investment fund units are included in this item.

• Trading derivatives: includes the fair value in favor of the Bank of derivatives which do not form part of hedge accounting.

• Hedging derivatives: includes the fair value in favor of the Bank of derivatives designated as hedging instruments in hedge accounting.

• Investments in associates: includes the investments in the share capital of associates.

iv. Classification of financial liabilities for measurement purposes

Financial liabilities are classified for measurement purposes into one of the following categories:

• Financial liabilities held for trading (at fair value through profit or loss): this category includes the financial liabilities issued for the purpose of generating a profit in the short term from fluctuations in their prices, financial derivatives not considered to qualify for hedge accounting and financial liabilities arising from the outright sale of financial assets purchased under resale agreements or borrowed (“Short positions”).

• Other financial liabilities at fair value through profit or loss: financial liabilities are included in this category when more relevant information is obtained, either because this eliminates or significantly reduces recognition or measurement inconsistencies (“accounting mismatches”) that would arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases, or because a group of financial liabilities or financial assets and liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Bank is provided on that basis to the Bank’s key management personnel.

• Financial liabilities at amortized cost: financial liabilities, irrespective of their instrumentation and maturity, not included in any of the above-mentioned categories which arise from the funding-taking activities carried on by financial institutions.

v. Classification of financial liabilities for presentation purposes

Financial liabilities are classified by nature into the following items in the consolidated balance sheet:

• Deposits from the Brazilian Central Bank: deposits of any nature received from the Brazilian Central Bank.

• Deposits from credit institutions: deposits of any nature, including Borrowings and Onlendings and money market funding received from credit institutions.

• Customer deposits: includes deposits of any nature such as demand deposits, saving deposits and time deposits including money market operation received from customer.

• Marketable debt securities: includes the amount of bonds and other debt represented by marketable securities, other than subordinated liabilities.

• Trading derivatives: includes the fair value, with a negative balance for the Bank, of derivatives which do not form part of hedge accounting.

• Short positions: includes the amount of financial liabilities arising from the outright sale of financial assets purchased under reverse repurchase agreements or borrowed.

• Subordinated liabilities: amount of financing received which, for the purposes of payment priority, ranks behind ordinary debt. This category also includes the financial instruments issued by the Bank which, although equity for legal purposes, do not meet the requirements for classification as equity.

• Other financial liabilities: includes the amount of payment obligations having the nature of financial liabilities not included in other items, and liabilities under financial guarantee contracts, unless they have been classified as doubtful.

• Hedging derivatives: includes the fair value of the Bank’s liability in respect of derivatives designated as hedging instruments in hedge accounting.

d) Measurement of financial assets and liabilities and recognition of fair value changes

In general, financial assets and liabilities are initially recognized at fair value which, in the absence of evidence to the contrary, is deemed to be the transaction price. Financial instruments not measured at fair value through profit or loss are, adjusted by the transaction costs. Financial assets and liabilities are subsequently measured at each period-end as follows:

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

i. Measurement of financial assets

Financial assets are measured at fair value, without deducting any transaction costs that may be incurred on their disposal, except for loans and receivables, held-to-maturity investments, equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those equity instruments as their underlying and are settled by delivery of those instruments.

The “fair value” of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, willing parties in an arm's length transaction acting prudently. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an active, transparent and deep market (“quoted price” or “market price”).

If there is no market price for a given financial instrument, its fair value is estimated on the basis of valuation techniques commonly used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

All derivatives are recognized in the balance sheet at fair value from the trade date. If the fair value is positive, they are recognized as an asset and if the fair value is negative, they are recognized as a liability. The changes in the fair value of derivatives from the trade date are recognized in “Gains/losses on financial assets and liabilities” in the consolidated income statement. Specifically, the fair value of standard financial derivatives included in the portfolios of financial assets or liabilities held for trading is deemed to be their daily quoted price and if, for exceptional reasons, the quoted price cannot be determined on a given date, these financial derivatives are measured using methods similar to those used to measure over the counter “OTC” derivatives.

The fair value of OTC derivatives is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement (“present value” or “theoretical close”) using valuation techniques commonly used by the financial markets: “net present value” (NPV), option pricing models and other methods.

“Loans and receivables” and “Held-to-maturity investments” are measured at amortized cost using the effective interest method. “Amortized cost” is the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal repayments and the cumulative amortization (taken to the income statement) of the difference between the initial cost and the maturity amount. In the case of financial assets, amortized cost furthermore includes any reductions for impairment or uncollectibility. In the case of loans and receivables hedged in fair value hedges, the changes in the fair value of these assets related to the risk or risks being hedged are recognized.

The “effective interest rate” is the discount rate that exactly matches the initial amount of a financial instrument to all its estimated cash flows of all kinds over its remaining life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees and transaction costs that, because of their nature, form part of their financial return. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing in all connections until the next benchmark interest reset date.

Equity instruments whose fair value cannot be determined in a sufficiently objective manner are measured at acquisition cost adjusted, where appropriate, by any related impairment loss.

The amounts at which the financial assets are recognized represent, in all material respects, the Bank’s maximum exposure to credit risk at each reporting date. Also, the Bank has received collateral and other credit enhancements to mitigate its exposure to credit risk, which consist mainly of mortgage guarantees, cash collateral, equity instruments and personal security, assets leased out under leasing and renting agreements, assets acquired under repurchase agreements, securities loans and derivatives.

ii. Measurement of financial liabilities

In general, financial liabilities are measured at amortized cost, as defined above, except for those included under “Financial liabilities held for trading” and “Other financial liabilities at fair value through profit or loss” and financial liabilities designated as hedged items (or hedging instruments) in fair value hedges, which are measured at fair value.

iii. Valuation techniques

The following table shows a summary of the fair values of the financial assets and liabilities on the period ended December 31, 2011, 2010 and 2009 indicated below, classified on the basis of the various measurement methods used by the Bank to determine their fair value:

Thousands of Reais		**2011**			**2010**	
	Published Price Quotations in Active Markets (Level 1)	**Internal Models (Level 2)**	**Total**	**Published Price Quotations in Active Markets (Level 1)**	**Internal Models (Level 2)**	**Total**
Financial assets held for trading	448,210	29,453,285	29,901,495	3,283,931	21,537,434	24,821,365
Other financial assets at fair value through profit or loss	374,519	290,850	665,369	17,423,359	516,422	17,939,781
Available-for-sale financial assets	608,901	43,999,300	44,608,201	1,348,989	45,857,030	47,206,019
Hedging derivatives (assets)	-	80,708	80,708	-	115,640	115,640
Financial liabilities held for trading	337,628	4,709,660	5,047,288	29,339	4,755,314	4,784,653
Hedging derivatives (liabilities)	-	36,071	36,071	-	112	112

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Thousands of Reais	2009		
	Published Price Quotations in Active Markets (Level 1)	Internal Models (Level 2)	Total
Financial assets held for trading	2,544,441	17,571,211	20,115,652
Other financial assets at fair value through profit or loss	13,787,109	2,507,351	16,294,460
Available-for-sale financial assets	1,633,945	44,772,175	46,406,120
Hedging derivatives (assets)	-	163,425	163,425
Financial liabilities held for trading	33,025	4,401,709	4,434,734
Other financial liabilities at fair value through profit or loss	-	1,795	1,795
Hedging derivatives (liabilities)	-	9,806	9,806

Financial instruments at fair value, determined on the basis of public price quotations in active markets (Level 1), include government debt securities, private-sector debt securities, securitized assets, shares, short positions and fixed-income securities issued.

In cases where price quotations cannot be observed, management makes its best estimate of the price that the market would set using its own internal models. In most cases, these models use data based on observable market parameters as significant inputs (Level 2). In order to make these estimates, various techniques are employed, including the extrapolation of observable market data and extrapolation techniques. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, unless the fair value of the instrument can be obtained from other market transactions performed with the same or similar instruments or can be measured by using a valuation technique in which the variables used include only observable market data, mainly interest rates.

There were no reclassifications between the Level 1 and Level 2 in the exercise ended on December 31, 2011, 2010 and 2009.

The Level 3 records financial assets and liabilities which are not used observable market data to make the measurement. On December 31, 2011, 2010 and 2009 the Bank did not have any financial instrument classified as Level 3.

The main techniques used at December 31, 2011 by the Bank's internal models (Level 2) to determine the fair value of the financial instruments detailed in the foregoing table are as follows:

• In the valuation of financial instruments permitting static hedging (basically forwards and swaps) and in the valuation of loans and advances to customers, the "present value" method is used. Estimated future cash flows are discounted using the interest rate curves of the related currencies. The interest rate curves are generally observable market data.

• In the valuation of financial instruments requiring dynamic hedging (basically structured options and other structured instruments), the Black-Scholes model is normally used. Where appropriate, observable market inputs are used to obtain factors such as the bid-offer spread, exchange rates, volatility, correlation between indexes and market liquidity.

• In the valuation of certain financial instruments exposed to interest rate risk, such as interest rate futures, caps and floors, the present value method (futures) and the Black-Scholes model (plain vanilla options) are used. The main inputs used in these models are basically observable market data, including the related interest rate curves, volatilities, correlations and exchange rates.

• In the case of linear instruments (e.g. credit risk and fixed-income derivatives), credit risk is measured using dynamic models similar to those used in the measurement of interest rate risk. In the case of non-linear instruments, if the portfolio is exposed to credit risk (e.g. credit derivatives), the joint probability of default is determined using the Standard Gaussian Copula model. The main inputs used to determine the underlying cost of credit of credit derivatives are quoted credit risk premiums and the correlation between the quoted credit derivatives of various issuers.

The fair value of the financial instruments arising from the aforementioned internal models takes into account, inter alia, the contract terms and observable market data, which include interest rates, credit risk, exchange rates, the quoted market price of raw materials and shares, volatility and prepayments. The valuation models are not significantly subjective, since these methodologies can be adjusted and gauged, as appropriate, through the internal calculation of fair value and the subsequent comparison with the related actively traded price.

Set forth below are the financial instruments at fair value whose measurement was based on internal models (Level 2):

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Thousands of Reais	Fair Values Calculated Using Internal Models 2011	2010	2009	Valuation Techniques	Main Assumptions
ASSETS:					
Financial assets held for trading	**29,453,285**	**21,537,434**	**17,571,211**		
Loans and amounts due from credit institutions	-	47,662	67,170	Present Value Method	Observable market data (interest and discount rates)
Debt and equity instruments	25,298,803	16,472,413	12,554,035	Present Value Method	Observable market data (interest and discount rates)
Trading derivatives	4,154,482	5,017,359	4,950,006		
Hedging derivatives	**80,708**	**115,640**	**163,425**		
Swaps	80,708	115,640	163,425	Present Value Method	Observable market data (interest rates)
Other financial assets at fair value through profit or loss	**290,850**	**516,422**	**2,507,351**		
Loans and amounts due from credit institutions	60,813	292,034	1,907,265	Present Value Method	Observable market data (interest and discount rates)
Loans and advances to customers	-	-	389,113	Present Value Method	Observable market data (interest and discount rates)
Debt instruments	230,037	224,388	210,973	Present Value Method	Observable market data (interest and discount rates)
Available-for-sale financial assets	**43,999,300**	**45,857,030**	**44,772,175**		
Debt and equity instruments	43,999,300	45,857,030	44,772,175	Present Value Method	Observable market data (interest and discount rates)
LIABILITIES:					
Financial liabilities held for trading	**4,709,660**	**4,755,314**	**4,401,709**		
Trading derivatives	4,709,660	4,755,314	4,401,709		
Hedging derivatives	**36,071**	**112**	**9,806**		
Swaps	36,071	112	9,806	Present Value Method	Observable market data (interest and exchange rates)
Other financial liabilities at fair value through profit or loss	**-**	**-**	**1,795**	Present Value Method	Observable market data (interest and exchange rates)

Thousands of Reais Trading derivatives (net)	2011	Valuation Techniques	Main Assumptions	2011 Effect of reasonable changes of assumptions on fair values (1) More favorable	Less favorable
Swaps	(285,167)	Present Value Method	Observable market data, liquidity (interest and exchange rates)	53,554	(53,554)
Exchange rate options	167,556	Black-Scholes Model	Observable market data, liquidity (exchange rates)	507	(507)
Interest rate options	(347,913)	Black-Scholes Model	Observable market data, liquidity, correlation (interest rates)	212	(212)
Exchange rate futures	108,987	Present Value Method	Observable market data, liquidity (exchange rates)	-	-
Stock options	(198,641)	Black-Scholes Model	Observable market data, liquidity, correlation (shares and ratios)	5,334	(5,334)

(1) The methodology applied is related to the assumptions of changes in fair value in case of necessity to discard a position, which is directly related to the liquidity of each market. In this context, instruments / markets with high liquidity are exempted from such estimates, for the other instruments such estimates are based on internal methodologies that generate multiplier, taking into consideration one or more of the following, as applicable: (i) observed spread between the Bid / Offer (ii) liquidity factor (trading) in different risk factors; (iii) term of the position; (iv) size of the position; and (v) in the case of options, the price in relation to changes in the parameters of volatility (vega). For linear products, the Effect of reasonable changes of assumptions on fair values symmetrically (more favorable and less favorable) refers to the variability of price in relation to changes in interest rate used in their pricing and in the case of options, the variability of its price in relation to changes in the parameters of volatility (vega).

The use of observable market data assumes that the markets in which the Bank operates are functioning efficiently and, therefore, that these data are representative. The main assumptions used in the measurement of the financial instruments included in the foregoing table that were valued by means of internal models employing unobservable market data are as follows:

• Correlation: the assumptions relating to the correlation between the value of quoted and unquoted assets are based on historical correlations between the impact of adverse changes in market variables and the corresponding valuation of the associated unquoted assets. The measurement of the assets will vary depending on whether a more or less conservative scenario is selected.

• Dividends: the estimates of the dividends used as inputs in the internal models are based on the expected dividend payments of the issuers. Since the dividend expectations can change or vary depending on the source of the price (normally historical data or market consensus for the measurement of options) and the companies' dividend policies can vary, the valuation is adjusted to the best estimate of the reasonable dividend level expected in more or less conservative scenarios.

• Liquidity: the assumptions include estimates in response to market liquidity. For example, they take market liquidity into consideration when very long-term estimates of exchange rates or interest rates are used, or when the instrument is part of a new or developing market where, due to the absence of market prices that reflect a reasonable price for these products, the standard valuation methods and the estimates available might give rise to less precise results in the measurement of these instruments at that time.

iv. Recognition of fair value changes

As a general rule, changes in the carrying amount of financial assets and liabilities are recognized in the consolidated income statement, distinguishing between those arising from the accrual of interest and similar items -which are recognized under “Interest and similar income” or “Interest expense and similar charges”, as appropriate- and those arising for other reasons, which are recognized at their net amount under “Gains (losses) on financial assets and liabilities (net)”.

Adjustments due to changes in fair value arising from Available-for-sale financial assets are recognized temporarily in stockholders equity under “Valuation adjustments”. Items charged or credited to this account remain in the Bank’s consolidated stockholders equity until the related assets are derecognized, whereupon they are charged to the consolidated income statement.

v. Hedging transactions

The consolidated entities use financial derivatives for the following purposes: i) to facilitate these instruments to customers who request them in the management of their market and credit risks; ii) to use these derivatives in the management of the risks of the Bank entities' own positions and assets and liabilities (“hedging derivatives”); and iii) to obtain gains from changes in the prices of these derivatives (“financial derivatives”).

Financial derivatives that do not qualify for hedge accounting are treated for accounting purposes as trading derivatives.

A derivative qualifies for hedge accounting if all the following conditions are met:

1. The derivative hedges one of the following three types of exposure:

a. Changes in the fair value of assets and liabilities due to fluctuations, among others, in the interest rate and/or exchange rate to which the position or balance to be hedged is subject (“fair value hedge”);

b. Changes in the estimated cash flows arising from financial assets and liabilities, commitments and highly probable forecast transactions (“cash flow hedge”);

c. The net investment in a foreign operation (“hedge of a net investment in a foreign operation”).

2. It is effective in offsetting exposure inherent in the hedged item or position throughout the expected term of the hedge, which means that:

a. At the date of arrangement the hedge is expected, under normal conditions, to be highly effective (“prospective effectiveness”).

b. There is sufficient evidence that the hedge was actually effective during the whole life of the hedged item or position (“retrospective effectiveness”).

3. There must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this effective hedge was expected to be achieved and measured, provided that this is consistent with the Bank’s management of own risks.

The changes in value of financial instruments qualifying for hedge accounting are recognized as follows:

a. In fair value hedges, the gains or losses arising on both the hedging instruments and the hedged items (attributable to the type of risk being hedged) are recognized directly in the consolidated income statement.

b. In cash flow hedges, the effective portion of the change in value of the hedging instrument is recognized temporarily in stockholders equity under “Valuation adjustments - Cash flow hedges” until the forecast transactions occur, when it is recognized in the consolidated income statement, unless, if the forecast transactions result in the recognition of non-financial assets or liabilities, it is included in the cost of the non-financial asset or liability. The ineffective portion of the change in value of hedging derivatives is recognized directly in the consolidated income statement.

c. The ineffective portion of the gains and losses on the hedging instruments of cash flow hedges and hedges of a net investment in a foreign operation are recognized directly under “Gains (losses) on financial assets and liabilities (net)” in the consolidated income statement.

If a derivative designated as a hedge no longer meets the requirements described above due to expiration, ineffectiveness or for any other reason, the derivative is classified as a trading derivative.

When fair value hedge accounting is discontinued, the adjustments previously recognized on the hedged item are transferred to profit or loss at the effective interest rate re-calculated at the date of hedge discontinuation. The adjustments must be fully amortized at maturity.

When cash flow hedges are discontinued, any cumulative gain or loss on the hedging instrument recognized in stockholders equity under “Valuation adjustments” (from the period when the hedge was effective) remains recognized in stockholders equity until the forecast transaction occurs at which time it is recognized in profit or loss, unless the transaction is no longer expected to occur, in which case any cumulative gain or loss is recognized immediately in profit or loss.

e) Derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

1. If the Bank transfers substantially all the risks and rewards to third parties -unconditional sale of financial assets, sale of financial assets under an agreement to repurchase them at their fair value at the date of repurchase, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitization of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to the new holders, and other similar cases-, the transferred financial asset is written off and any rights or obligations retained or created in the transfer are recognized simultaneously.

2. If the Bank retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, and other similar cases-, the transferred financial asset is not written off and continues to be measured by the same criteria as those used before the transfer. However, the following items are recognized:

a. An associated financial liability, for an amount equal to the consideration received; this liability is subsequently measured at amortized cost.

b. The income from the transferred financial asset not written off and any expense incurred on the new financial liability.

3. If the Bank neither transfers nor retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases-, the following distinction is made:

a. If the transferor does not retain control of the transferred financial asset, the asset is written off and any rights or obligations retained or created in the transfer are recognized.

b. If the transferor retains control, it continues to recognize the transferred financial asset for an amount equal to its exposure to changes in value and recognizes a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only written off when the rights on the cash flows they generate have been extinguished or when substantially all the inherent risks and rewards have been transferred to third parties. Similarly, financial liabilities are only written off when the obligations they generate have been extinguished or when they are acquired, with the intention either to cancel them or to resell them.

f) Offsetting of financial instruments

Financial asset and liability balances are offset, i.e. reported in the consolidated balance sheet at their net amount, only if the Bank and their subsidiaries currently have a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

g) Regular way purchases of financial assets

Regular way purchases of financial assets are recognized on trade date. The assets are derecognized when the rights to receive cash flows have expired or the Bank has transferred substantially all the risks and rewards of ownership.

h) Impairment of financial assets

i. Definition

A financial asset is considered to be impaired and therefore its carrying amount is adjusted to reflect the effect of impairment when there is objective evidence that events have occurred which:

• Give rise to an adverse impact on the future cash flows that were estimated at the transaction date, in the case of debt instruments (loans and debt securities).

• Mean that their carrying amount cannot be fully recovered, in the case of equity instruments.

As a general rule, when the events above are observed, the carrying amount of impaired financial instruments is adjusted by recording a provision for losses on debts expense as "Losses on financial assets (net)" in the consolidated income statement. The reversal of previously recorded losses is recognized in the consolidated income statement in the period in which the impairment and decrease can be related objectively to an event of recovery.

Balances are deemed to be impaired, and the interest accrual is suspended, normally, after 60 days late, when there are reasonable doubts as to their full recovery and/or the collection of the related interest for the amounts and on the dates initially agreed upon, after taking into account the guarantees received by the consolidated entities to secure (fully or partially) collection of the related balances. The amount of the financial assets that would be deemed to be impaired had the conditions thereof not been renegotiated is not material with respect to the Bank's financial statements taken as a whole.

When the recovery of any recognized amount is considered unlikely, the amount is fully written off. Usually this occurs when the write off have low delay exceeds 360 days. In the case of long-term operations (over 3 years), loans are written off when they complete 540 days late. The loss is recorded in memorandum accounts for a minimum period of 5 years and until they are exhausted all the procedures and collection actions and their contractual rights are extinguished.

ii. Debt instruments carried at amortized cost

The amount of an impairment loss incurred for determination of the recoverable amount on a debt instrument measured at amortized cost is equal to the difference between its carrying amount and the present value of its estimated future cash flows, and is presented as a reduction of the balance of the asset adjusted.

In estimating the future cash flows of debt instruments the following factors are taken into account:

• All the amounts that are expected to be obtained over the remaining life of the instrument, in this case, the provided guarantees. The impairment loss takes into account the likelihood of collecting accrued interest receivable.

• The various types of risk to which each instrument is subject; and

• The circumstances in which collections will foreseeably be made.

These cash flows are subsequently discounted using the instrument's effective interest rate.

Specifically in regards to recoverable amount losses resulting from materialization of the insolvency risk of the obligors (credit risk), a debt instrument is impaired due to insolvency when there is evidence of a deterioration of the obligor's ability to pay, either because it is in arrears or for other reasons.

The Bank has certain policies, methods and procedures for covering its credit risk arising both from insolvency allocable to counterparties.

These policies, methods and procedures are applied in the granting, examination and documentation of debt instruments, and contingent liabilities and commitments, the identification of their recoverable amount and the calculation of the amounts necessary to cover the related credit risk.

The procedures applied in the identification, measurement, control and reduce the exposure to credit risk, are based on an individual basis or grouped by similarity.

• Customers with individual management: Wholesale segment customers, financial institutions and certain companies. Risk management is performed through an analysis complemented by tools to support decision-making model-based risk assessment internal procedure.

• Customers with standardized management: individuals and companies not classified as individual clients. Risk management models based on automated decision-making and risk assessment procedure, complemented, when the model is not comprehensive or accurate enough, by teams of analysts specializing in this type of risk. The credits related to customers standardized, are usually considered when they have not recoverable delay greater than 90 days.

With respect to the allowance for loss arising from credit risk, the Bank makes the following distinction:

a. Specific allowance:

The Bank classifies our credit transactions according to their level of risk and the number of days such transaction is past due. Such credit classifications are determined in accordance with:

• The conditions of the debtor and any guarantor, such as their economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, administration, corporate governance and quality of internal controls, payments history, the sector in which they are active, contingencies and credit limits; and

• The characteristics of the transaction, such as its nature and purpose, type, sufficiency and level of liquidity of collateral and the total amount of the credit.

Based on the rules above are calculated the minimum allowance requirements. Additionally, the Bank evaluate the need for further provision, as considered necessary, following the requirements of IAS 39, based on our historical experience of impairment and other circumstances known at the time of assessment.

b. Allowance for incurred losses not specifically identified:

The Bank covers its losses inherent in debt instruments not measured at fair value through profit or loss and in contingent liabilities taking into account the historical experience of impairment and other circumstances known at the time of assessment. For these purposes, inherent losses are losses incurred at the reporting date, calculated using statistical methods that have not yet been allocated to specific transactions.

The Bank uses the concept of incurred loss to quantify the cost of the credit risk and include it in the calculation of the risk-adjusted return of its transactions.

The incurred loss is the expected cost of the credit risk of a transaction, that will manifest itself within a one year (business cycle) lead time from the balance sheet date considering the characteristics of the counterparty and the guarantees and collateral associated with the transaction.

The loss is calculated by using statistical models that consider the following three factors:

• Exposure at default (EAD) is the amount of risk Exposure at the date of default by the counterparty. In accordance with IFRS, the exposure at default used for this calculation is the current exposure, as reported in the balance sheet.

• Probability of default (PD) is the probability of the counterparty failing to meet its principal and/or interest payment obligations. The probability of default is associated with the rating/scoring of each counterparty/transaction. PD is measured using a time horizon of one year; i.e. it quantifies the probability of the counterparty defaulting in the coming year. The definition of default used includes past-dues by 90 days or more and cases in which there is no default but there are doubts as to the solvency of the counterparty (subjective doubtful assets).

• Loss given default (LGD) is the loss arising in the event of default. LGD calculation is based on the observation of the recoveries of defaulted loans, taking into account the guarantees/collateral associated with the transaction, the income and expenses associated with the recovery process, and also the timing thereof and the indirect costs arising from the recovery process.

The methodology used by the Bank for determining the loans allowance for incurred losses not specifically identified intends to identify the amount of incurred losses as of the balance sheet date of loans that have not yet been identified as impaired, but it is estimate based on our past history and specific facts that will manifest within a one year lead time period from the balance sheet date. The above demonstrates those loans were having problems as of the balance sheet date. That is, what the Bank calls inherent losses in the context of our internal models in which loan loss allowances are calculated.

The approach described above is used as a general rule. However, in certain cases, as a result of its particular characteristics, this approach is not applied and alternative approaches are used:

• Low default portfolios: In certain portfolios (credit institutions or large corporations) the number of defaults observed is very small or zero. In these cases, the Bank opted to use the data contained in the credit derivative spreads to estimate the incurred loss discounted by the market and break it down into PD and LGD.

• Top-down units: In the exceptional cases in which the Bank does not have sufficient data to construct a sufficiently robust credit risk measurement model, the incurred loss on the loan portfolios is estimated based on a top-down approximation in which the historically observed average cost of the loan portfolios is used as the best estimate of the incurred loss. As the credit models are developed and bottom-up measurements are obtained, the top-down measurements used for these units are gradually replaced.

iii. Debt or equity instruments classified as available for sale

The difference between the amortized cost and adjustment value of debt or equity instruments classified as available for sale are recorded in stockholders equity under "Valuation adjustments - financial assets available for sale."

When there is objective evidence that the aforementioned differences are considerate a loss to permanent, they are no longer recognized in stockholders equity and are reclassified, for the cumulative amount at that date, to the consolidated income statement. Losses considered like a permanent on investment in equity instruments are not reversed in subsequent periods.

iv. Equity instruments measured at cost

The recoverable amount loss on equity instruments measured at cost is the difference between the carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities.

Losses of recoverable amounts are recognized in the consolidated financial income statement for the period in which they arise as a direct reduction of the cost of the instrument. These losses can only be reversed subsequently if related assets are sold.

i) Repurchase agreements

Purchases (disposal) of financial assets under a non-optional resale (repurchase) agreement at a fixed price are recognized in the consolidated balance sheet as Investment (funding), in repurchase agreements based on the nature of the debtor (creditor), under “Cash and balances with the Brazilian Central Bank”, “Loans and amounts due from credit institutions” or “Loans and advances to customers” (“Deposits from the Brazilian Central Bank”, “Deposits from credit institutions” or “Customer deposits”).

Differences between the purchase and sale prices are recognized as interest over the contract term.

j) Accounting for leases

i. Financial leases

Financial leases are leases that transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee.

When the consolidated entities act as the lessors of an asset, the sum of the present value of the lease payments receivable from the lessee plus the guaranteed residual value which is generally the exercise price of the purchase option of the lessee at the end of the lease term is recognized as lending to third parties and is therefore included under “Loans and receivables” in the consolidated balance sheet.

The finance income arising from these contracts is credited to “Interest and similar income” in the consolidated income statement so as to achieve a constant rate of return over the lease term.

ii. Operational Leases

In operational leases, ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.

When the consolidated entities act as the lessors, they present the acquisition cost of the leased assets under “Tangible assets” (note 12). The depreciation policy for these assets is consistent with that for similar items of property, plant and equipment for own use and income from operational leases is recognized on a straight-line basis under “Other operating income (expense)” in the consolidated income statement.

When the consolidated entities act as the lessees, the lease expenses, including any incentives granted by the lessor, are charged on a straight-line basis to “Other administrative expenses” in their consolidated income statements.

k) Non-current assets held for sale

“Non-current assets held for sale” includes the carrying amount of individual items or disposal groups or items forming part of a business unit earmarked for disposal (“Discontinued operations”), whose sale in their present condition is highly probable and is expected to occur within one year, the property or other non-current assets received by the consolidated entities as total or partial settlement of their debtors' payment obligations to them are deemed to be non-current assets held for sale through the completion of actions which normally occurs up to one year.

Non-current assets held for sale are measured at the lower of fair value less costs to sell and their carrying amount at the date of classification in this category. Non-current assets held for sale are not depreciated.

Impairment losses on an asset or disposal group arising from a reduction in its carrying amount to its fair value (less costs to sell) are recognized under “Gains (losses) on non-current assets held for sale not classified as discontinued operations” in the consolidated income statement. The gains on a non-current asset held for sale resulting from subsequent increases in fair value (less costs to sell) increase its carrying amount and are recognized in the consolidated income statement up to an amount equal to the impairment losses previously recognized.

l) Residual maturity periods and average interest rates

The analysis of the maturities of the balances of certain items in the consolidated balance sheets and the average interest rates at 2011, 2010 and 2009 year-end is provided in note 41-d.

m) Tangible assets

“Tangible assets” includes the amount of buildings, land, furniture, vehicles, computer hardware and other fixtures owned by the Bank, including tangible assets received by the Bank in full or partial satisfaction of financial assets representing receivables from third parties which are intended to be held for continuing use and tangible assets acquired under finance leases are presented at acquisition cost, less the related accumulated depreciation and any impairment losses (net carrying amount higher than recoverable amount).

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The tangible asset depreciation charge is recognized in the consolidated income statement and is calculated basically using the following depreciation rates (based on the average years of estimated useful life of the various assets):

	Annual Rate
Buildings for own use	4%
Furniture	10%
Fixtures	10%
Office and IT equipment	20%
Leasehold improvements	10% or up to contractual maturity

The Bank assesses at end of each period, if there is no indication that the items of tangible assets may present an impairment loss, ie an asset that presents the carrying amount higher than the value of achievement, either for use or sale. The assessment of property is done through reports prepared by independent companies.

Once identified a reduction in the impairment loss of tangible assets, this is adjusted to reach its realizable value by recognizing an impairment loss recorded in "Impairment loss on other assets. " Additionally the value of depreciation of that asset is recalculated in order to adjust the value of the life of the asset.

In case of evidence or indication of an impairment loss of a tangible asset, the Bank recognizes the reversal of impairment loss recorded in prior years and should adjust the future depreciation expenses according to the lifetime value of the property. Under no circumstances will a reversal of impairment loss of an asset may increase its carrying amount higher than the amount that would have no impairment loss had been recognized in prior years.

Upkeep and maintenance expenses relating to property, plant and equipment for own use are recognized as an expense in the period in which they are incurred.

n) Intangible assets

Intangible assets are identifiable non-monetary assets (separable from other assets) without physical substance which arise as a result of a legal transaction or software are developed internally. Only assets whose cost can be estimated reliably and from which the consolidated entities consider it probable that future economic benefits will be generated are recognized.

Intangible assets are recognized initially at acquisition or production cost and are subsequently measured deducted any accumulated amortization and any accumulated impairment losses.

i. Goodwill

In the acquisition of investment in subsidiary, any difference between the investment cost and the investor's share in net fair value of assets, liabilities and contingent liabilities of the investee (subsidiary or affiliate) is accounted for in accordance with IFRS 3 "Business Combination ".

Goodwill is recognized only when the amount of the consideration of the investee acquired exceeds the fair value at the acquisition date, and therefore represents a payment made by the acquirer in anticipation of future economic benefits of assets of the acquired entity that can not be individually identified and recognized separately.

The amortization of this goodwill is not allowed, and also tested for the purpose of "impairment". The goodwill impairment test is performed at the end of each period presented, or a lesser period if any indication of a reduction in the recoverable amount and the amount considered irrecoverable is written off and debited as "Impairment losses on other assets (net) - Other intangible assets "in the consolidated income statement. A loss of recoverable value of goodwill is not reversed in subsequent periods;

The net fair value adjustments of assets, liabilities and contingent liabilities of the investee in relation to its carrying amount are allocated to individual identifiable assets acquired and liabilities assumed that compose based on their respective fair values at the date of purchase.

In the case of a business combination achieved in stages, is measured again prior involvement in the acquiree at fair value at date of acquisition that obtains control of the acquiree.

A business combination involving entities or businesses under common control is a business combination in which all the combining entities or businesses are controlled by the same party or parties before and after the business combination, and this control is not transitory and therefore are trademarks of their carrying amount.

ii. Other intangible assets

It is a non-monetary asset without physical substance. It is basically due to software development and acquisition of rights (such as customer list acquired) that can generate benefits for the Bank. They can have characteristics of definite or indefinite period.

Other intangible assets are considered to have indefinite useful life when, based on an analysis of all relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Bank, or a finite useful life, in all other cases.

Intangible assets with indefinite useful lives are not amortized, but instead, at the end of each period, the entity reviews the remaining useful life of assets to determine if they are still undefined and, if this is not the case, the change should be accounted for as a change in accounting estimate.

Intangible assets with definite useful life are amortized over its useful life by using methods similar to those used to depreciate tangible assets. The amortization expense is recognized under "Depreciation and amortization" in the consolidated income statement.

The Bank assesses at the end of each period, if there is no indication that the items of intangible assets may present an impairment loss, i.e. an asset that presents the carrying amount higher than the net realizable value. Identifying any reduction in impairment loss, this is adjusted to reach its fair value.

Measuring the recoverable amount of other intangible assets - software is made based on value in use, as well as the analysis of the discontinuity of the asset in relation to the activities of the Bank.

The Bank uses the value in use of other intangible assets - customer lists as a basis for measuring the impairment since it is not reasonably possible to determine the net value of sales, because there is no basis for making a reliable estimate of the value be obtained by selling the asset in a transaction at cumulative basis, between knowledgeable, willing parties. The value in use of customer lists acquired related to the purchase of the "payroll" will be determined individually. It is prepared by the business areas a "Business Case" that aims to demonstrate the expectation of generating future economic benefit and the present value of expected cash flows. Quarterly, these "Business Case" are reviewed based on the actual cash flows of each business (value in use), which are compared with book value, checking whether there is a need to record a loss on non-recoverability.

o) Other assets

It includes the balance of all prepayments and accrued income (excluding accrued interest), the net amount of the difference between pension plan obligations and the value of the plan assets with a balance in the entity's favor, when this net amount is to be reported in the consolidated balance sheet, and the amount of any other assets not included in other items.

p) Liabilities for insurance contracts

The liabilities for insurance contracts are comprised substantially by mathematical reserves for current and future benefits (PMBaC and PMBC). Insurance contracts are contracts under which the Bank accepts a significant risk – other than a financial risk – from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain future event by which the policyholder will be adversely affected.

Insurance liabilities are recognized when the contract is entered into and the premiums are charged. Contracts that have been classified as insurance are not reclassified subsequently. The liability is derecognized when the contract expires or is cancelled.

Mathematical reserves for current and future benefits are recognized based on contributions made under the capitalization financial system. The mathematical reserves for current benefits represent commitments under continued income plans which are recognized through actuarial calculation for the traditional, pension plan (PGBL) and cash value life insurance (VGBL) plans.

All valuation methods used by the subsidiaries are based on the general principle that the carrying amount of the net liability must be sufficient to meet any reasonably foreseeable obligation resulting from the insurance contracts. Investment assumptions are either determined by the local regulator or based on management's future expectations. In the latter case, the anticipated future investment returns are set by management, considering the available market information and economic indicators. A significant assumption related to estimated gross profits on variable annuities, is the annual long-term growth rate of the underlying assets.

At each balance sheet date an assessment is made of whether the provisions for Mathematical reserves are adequate.

q) Provision of contingent assets and liabilities

Banco Santander and its subsidiaries are involved in judicial and administrative proceedings related to tax, labor and civil, in the normal course of their activities.

The judicial and administrative proceedings are recognized in the accounts based on the nature, complexity and history of actions and beliefs of the internal and external legal advisors.

Provisions are made when the risk of loss of judicial or administrative action is assessed as probable and the amounts involved can be measured with sufficient accuracy, based on best available information. The provisions include legal obligations, judicial and administrative proceedings related to tax and social security obligations, whose object is to challenge their legality or constitutionality, regardless of the assessment that the probability of success, the amounts are fully recognized in the financial statements. They are fully or partially reversed when the obligations cease to exist or are reduced.

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more future events that are not totally under the control of the consolidated entities. Under accounting rules, contingent liabilities classified as possible losses are not recognized, but disclosed in the notes to the financial statements.

Contingent assets are not accounting recognized , except when there are guarantees or favorable judicial decisions, about which no longer fit features, characterizing the gain as practically certain. Assets with probable success, if any, are only disclosed in the financial statements.

Management believes that the provisions made are sufficient to cover losses from judicial proceedings, and believe that, in aggregate, will not have significant impacts on results, cash flow or financial condition of the Bank.

Given the uncertainties arising from the proceedings is not practicable to determine the time of any outflow (cash disbursement).

r) Other liabilities

“Other liabilities” includes the balance of all accrued expenses and deferred income, excluding accrued interest, and the amount of any other liabilities not included in other categories.

s) Share-based compensation

Settlement in shares

It refers to options to purchase shares of the Bank promoting a commitment of the executives with the long-term results. The number of shares granted to executives vary according to certain performance parameters.

At the beginning of the plan is made an estimate of the likely amount of options to be granted and the fair value amount is recorded in Personal expenses against "Equity - Reserves - Share-Based Payment" throughout the vesting period.

Settlement in cash

At the beginning of the Plan is made an estimate of the likely amount of shares "hypothetical" that will be received by the executives. It is determined the fair value of the shares "hypothetical" and accounted throughout the vesting period a provision in Other liabilities against Personal expenses.

t) Recognition of income and expenses

The most significant criteria used by the Bank to recognize its income and expenses are summarized as follows:

i. Interest income, interest expenses and similar items

Interest income, interest expenses and similar items are generally recognized on an accrual basis using the effective interest method. Dividends received from other companies are recognized as income when the consolidated entities' right to receive them arises.

However, the recognition of accrued interest in the consolidated income statement is suspended for debt instruments and loans and advances individually classified as impaired and for the instruments for which impairment losses have been assessed collectively because they have payments more than two months past due. This interest is recognized as income, when collected, as a reversal of the related impairment losses.

ii. Commissions, fees and similar items

Fee and commission income and expenses are recognized in the consolidated income statement using criteria that vary according to their nature. The main criteria are as follows:

• Fee and commission income and expenses relating to financial assets and financial liabilities measured at fair value through profit or loss are recognized when paid;

• Those arising from transactions or services that are performed over a period of time are recognized over the life of these transactions or services; and

• Those relating to services provided in a single act are recognized when the single act has been performed.

iii. Non-financial income and expenses

These are recognized for accounting purposes on an accrual basis.

iv. Deferred collections and payments

These are recognized for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

v. Loan arrangement fees

Loan arrangement fees, mainly loan origination and application fees, are accrued and recognized in income over the term of the loan. In the case of loan origination fees, the portion relating to the associated direct costs incurred in the loan arrangement is recognized immediately in the consolidated income statement.

u) Financial guarantees

“Financial guarantees” are defined as contracts whereby an entity undertakes to make specific payments for a third party if the latter does not do so, irrespective of the various legal forms they may have, such as guarantees, irrevocable documentary credits issued or confirmed by the entity, among others.

The Bank initially recognizes the financial guarantees provided on the liability side of the consolidated balance sheet at fair value, which is generally the present value of the fees, commissions and similar interest receivable from these contracts over the term thereof, and simultaneously the Bank recognizes, on the asset side of the consolidated balance sheet, the amount of the fees, commissions and interest received at the start of the transactions and the amounts receivable at the present value of the fees, commissions and interest receivable.

Financial guarantees, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments measured at amortized cost.

The provisions made for these transactions are recognized under “Provisions - Provisions for contingent liabilities, commitments and other provisions” in the consolidated balance sheet (note 22).

If a specific provision is required for financial guarantees, the related unearned commissions recognized under “Financial liabilities at amortized cost – Other financial liabilities” in the consolidated balance sheet are reclassified to the appropriate provision.

v) Assets under management and investment and pension funds managed by the Bank

Assets owned by third parties and managed by the consolidated entities are not presented on the face of the consolidated balance sheet. Management fees are included in “Fee and commission income” in the consolidated income statement. Note 41-b contains information on the third-party assets managed by the Bank.

The investment funds and pension funds managed by the consolidated entities are not recorded in the consolidated balance sheet since the related assets are owned by third parties. The fees and commissions earned in the year for the services rendered by the Bank entities to these funds (asset management and custody services) are recognized under “Fee and commission income” in the consolidated income statement.

w) Post-employment benefits

Post-employment benefit plans include the commitments of the Bank: (i) addition to the benefits of public pension plan; and (ii) medical assistance in case of retirement, permanent disability or death for that employees eligible and their direct beneficiaries.

Defined contribution plans

Defined benefit plans is the post-employment benefit plan which the Bank and its subsidiaries as the sponsoring entity pays fixed contributions into a pension fund, not having a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all benefits relating to services provided in the current and in previous periods.

The contributions made in this connection are recognized under personnel expenses in the consolidated income statement. The amounts not yet contributed at each year-end are recognized, at their present value in balance sheets like "Provisions - provisions for pension funds and similar obligations" in the consolidated balance sheet.

Defined benefit plans

Defined benefit plan is the post-employment benefit plan which is not defined contribution plan and are shown ate Note 22.

The present value of obligations of defined benefit plans are recorded, net (i) the fair value of plan assets,(ii) of gains and / or net unrecognized actuarial losses, which are deferred using the corridor method, and (iii) the costs of past service, which is deferred over time. The obligations are recorded in the balance sheet as "Provisions - provisions for pension funds and similar obligations" in the consolidated balance sheet.

In case the net amount represents an asset, the actuarial asset is recorded in the consolidated balance sheet as “Other assets” when: (i) the excess funds represent future economic benefits in the shape of a return of funds to the sponsor or a reduction in future contributions, according to the conditions set forth in Resolution 26/2008 of the Supplementary Pension Plan Management Board (CGPC); and (ii) resulting from any accrued, net and unrecorded actuarial losses and costs of past services that will be offset in the long term by their respective record.

The plan’s assets are defined as those that will be used directly in the settlement of obligations, and: (i) whose ownership is sponsored; and (ii) that can only be used to pay or finance post-employment benefits and cannot be returned to the consolidated entities, unless the assets remaining in the plan are sufficient to meet all of the plan’s obligations.

Actuarial gains and losses are those resulting from differences between previous actuarial assumptions and what effectively took place, and from the effects of those changes on actuarial assumptions. The Bank uses the corridor method and records the net amount of accrued actuarial gains and/or losses exceeding the higher between 10% of the present value of the obligations and 10% of the fair value of the plan’s assets.

The cost of past services results either from changes in the current post-employment benefits or from the introduction of new benefits, and is recorded according to the straight-line method over the period between the time when the new commitments arise and the date when the employee acquired the irrevocable right to receive new benefits.

Post-employment benefits are recorded in the income statement as follows:

- Cost of the current service – increase in the present value of the obligations resulting from employee services in the current periods – “Personnel expenses”.
- Cost of interest – increase in the present value of the obligations as a result of the passing of time - "Interest and similar expenses."
- The expected return on the plan’s assets and the gains or losses on the value of those assets – “Interest and similar revenues”.
- The actuarial gains and losses calculated by using the corridor method and the unrecorded cost of past services – “ Provisions (Net)".

Defined benefit plans are recorded based on an actuarial study conducted annually by an external consulting firm at the end of each fiscal year and effective for the subsequent period. The actuarial valuation of these plans depends on a number of assumptions, including the following stand:

- Assumed interest rates;
- Boards of mortality;
- Annual index applied to the review of pensions;
- Index of inflation;
- Annual index salary readjustments; and
- Method used to calculate the commitments relating to acquired rights of active employees.

x) Other long-term employee benefits

“Other long-term employee benefits”, defined as obligations to early retirees taken to be those who have ceased to render services at the entity but who, without being legally retired, continue to have economic rights relating to the entity until they acquire the legal status of retiree, long-service bonuses, obligations for death of spouse or disability before retirement that depend on the employee's length of service at the entity and other similar items, are treated for accounting purposes, where applicable, as established above for defined benefit post-employment plans, except that all past service costs and actuarial gains and losses are recognized immediately (note 22).

y) Termination benefits

Termination benefits are recognized when there is a detailed formal plan identifying the basic changes to be made, provided that implementation of the plan has begun, its main features have been publicly announced or objective facts concerning its implementation have been disclosed.

z) Income taxes

Income tax is calculated at the rate of 15% plus a 10% surtax; social contribution tax is calculated at the rate of 15% for financial institutions, and for non-financial companies the social contribution tax rate is 9%, after adjustments determined by tax legislation.

The expense for corporation income tax is recognized in the consolidated income statement, except when it results from a transaction recognized directly in equity, in which case the tax effect is also recognized in equity.

The current income tax expense is calculated as the sum of the current tax resulting from application of the appropriate tax rate to the taxable profit for the year (net of any deductions allowable for tax purposes), and of the changes in deferred tax assets and liabilities recognized in the consolidated income statement.

“Tax assets” includes the amount of all tax assets, which are broken down into “current” amounts of tax to be recovered within the next twelve months and “deferred” amounts of tax to be recovered in future years, including those arising from unused tax losses or tax credits.

“Tax liabilities” includes the amount of all tax liabilities (except provisions for taxes), which are broken down into “current” the amount payable in respect of the income tax on the taxable profit for the year and other taxes in the next twelve months and “deferred” the amount of income tax payable in future years.

Deferred tax assets and liabilities include temporary differences, which are identified as the amounts expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their related tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax assets are only recognized for temporary differences to the extent that it is considered probable that the consolidated entities will have sufficient future taxable profits against which the deferred tax assets can be utilized, and the deferred tax assets do not arise from the initial recognition (except in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit or accounting profit. Other deferred tax assets (tax loss and tax credit carryforwards) are only recognized if it is considered probable that the consolidated entities will have sufficient future taxable profits against which they can be utilized.

Income and expenses recognized directly in stockholders equity are accounted for as temporary differences.

The deferred tax assets and liabilities recognized are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Under the current regulation, the expected realization of tax credits based on the Bank's projections of future results and based on technical study, as shown in Note 23.

PIS (Social Integration Program) and COFINS (Tax for Social Security Financing) taxes have been computed at a combined rate of 4.65% on certain gross revenues and expenses. Financial institutions may deduct financial expenses in determining the PIS/COFINS tax basis. PIS and COFINS are considered a profit-base component (net basis of certain revenues and expenses), therefore and accordingly to IAS 12 it is recorded as income taxes.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

aa) Consolidated cash flow statements

The following terms are used in the consolidated cash flow statements with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

In preparing the consolidated cash flows statement, the high liquidity investments with insignificant risk of changes in their values were classified as "Cash and cash equivalents". The Bank classifies as cash and cash equivalents balances recorded under "Cash and balance with the Brazilian Central Bank" and "Loans and amounts due from credit institutions" in the consolidated balance sheet, except restricted resources and long-term transactions.

The interest paid and received correspond basically to operating activities of Banco Santander.

3. Change in the scope of consolidation

a) Sale of Santander Seguros

Based on the approval issued by Superintendence of Private Insurance (Susep) on August 23, 2011, on October 5, 2011 was held the closing of the sale (the "Transaction") of all shares issued by its wholly owned subsidiary Santander Seguros for (i) Zurich Santander Insurance America, SL, a holding company based in Spain (Zurich Santander) held, directly or indirectly, 51% (fifty one percent) by the Zurich Financial Services Ltd. and its affiliates (Zurich) and 49% (forty nine percent) by Banco Santander Spain, and (ii) Inversiones ZS America SPA, a company established in Chile and held by Zurich Santander (Inversiones ZS).

Referred closing understood the actual transfer, (i) by Banco Santander to ZS Insurance of 11,251,174,948 common shares of Santander Seguros, and (ii) Banco Santander to Inversiones ZS of 3 common shares of Santander Seguros, and payment of the purchase sale price preliminary to Banco Santander, net amounts R$2,741,102 thousand (received in October 5,2011). The assets of Santander Seguros R$24,731,463 thousand, main represented by R$21,551,422 thousand of debts instruments and equity (public securities, private and fund units specially constituted - guarantors of benefit plans - PGBL / VGBL). The Santander Seguros liabilities amounts R$22,349,428 thousand, main represented by R$21,278,718 thousand of liabilities for securities agreements - technical provision for insurance operations and pension plans. The income recognized in this operation was R$424,292 thousand, recorded as a result on disposal of non-current assets held for sale not classified as discontinued operations.

The final sale and purchase price will be set appropriately based on the balance sheet to be specially prepared by Santander Seguros for the period ended September 30, 2011 to be released at the first half of 2012 and the price adjustment mechanisms expressly provided for in the Purchase and Sale Agreement dated July 14, 2011, and once set, Banco Santander will disclose it to the general public and make the offering of preemptive rights to shareholders, in accordance with Article 253 of Law 6.404/1976.

The transaction fits into the context of the strategic partnership between Santander Spain and Zurich, involving the acquisition by Zurich Santander, all property and casualty insurers and life and welfare of Santander Spain in Argentina, Brazil, Chile, Mexico and Uruguay.

As part of the arrangement of the transaction, Banco Santander exclusively distribute the insurance products in the next 25 years, through its network branch, with the exception of automobile insurance that are not included in the exclusivity scope in the arrangement of the transaction. As a result of these contracts, Banco Santander will receive a payment equivalent to the currently received.

The operation aims to promote and strengthen Banco Santander activities in the insurance market, providing a greater range of products, including classes of customers not currently exploited and leveraging the distribution capabilities of Banco Santander, among others.

The operation, according to the regulations, subject to the approval of Susep.

b) Partial spin-off of Santander Seguros with the transfer of the split portion constitution to Sancap Investimentos e Participações S.A.

In the context of sale transaction of Santander Seguros, at the extraordinary stockholders' meeting held on April 29, 2011, was approved the Partial spin-off of Santander Seguros with the transfer of its equity to a new company, constituted in the act of the partial spin-off, under the company name of Sancap Investimentos e Participações S.A. (“Sancap”). The spun-off assets to Sancap is total amounting of R$511,774 thousands and refers only and exclusively to the totality of the participation held by Santander Seguros on Santander Capitalização's capital.

The Sancap is in the process of formation and operation of the Partial Split is in the process of approval in Susep on August 9, 2011.

4. Cash and balances with the Brazilian Central Bank

Thousands of Reais	2011	2010	2009
Cash and cash equivalents	**3,542,707**	**3,158,003**	**18,730,403**
of which:			
Cash	3,542,707	3,158,003	3,630,669
Money market investments (1)	-	-	15,099,734
Money market investments (2)	17,607,917	12,456,450	-
Central bank compulsory deposits (3)	**44,787,379**	**41,185,698**	**8,538,609**
Total	**65,938,003**	**56,800,151**	**27,269,012**

(1) Includes securities purchased under agreements to resell, short-term and present insignificant risk of changes in value.
(2) Includes securities purchased under agreements to resell, long term and not considered cash equivalents.

(3) Central bank compulsory deposits relate to a minimum balance financial institutions are required to maintain with the Brazilian Central Bank based on a percentage of deposits received from third parties, regarded as restricted use of resources.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

5. Loans and amounts due from credit institutions

a) Breakdown

The breakdown, by classification, type and currency, of the balances of "Loans and amounts due from credit institutions" in the consolidated balance sheets is as follows:

Thousands of Reais	2011	2010	2009
Classification:			
Financial assets held for trading	-	47,662	67,170
Other financial assets at fair value through profit or loss	60,813	292,034	1,907,265
Loans and receivables	19,628,861	22,658,520	24,228,143
Of which:			
Loans and amounts due from credit institutions, gross	19,690,528	22,658,520	24,228,143
Impairment losses (note 9.c)	(61,667)	-	-
Loans and amounts due from credit institutions, net	**19,689,674**	**22,998,216**	**26,202,578**
Loans and amounts due from credit institutions, gross	**19,751,341**	**22,998,216**	**26,202,578**
Type:			
Time deposits (2)	7,136,037	9,110,447	9,945,047
Reverse repurchase agreements (1)(2)	1,039,551	599,999	6,160,397
Escrow deposits	6,868,943	7,316,926	6,192,292
Cash and Foreign currency investments (2)	4,247,179	5,826,715	3,493,254
Other accounts	459,631	144,129	411,588
Total	**19,751,341**	**22,998,216**	**26,202,578**
Currency:			
Brazilian Real	15,067,109	17,412,613	20,775,625
US dollar	4,300,075	5,100,831	5,086,320
Euro	354,078	455,831	293,329
Pound sterling	4,519	3,046	14,729
Other currencies	25,560	25,895	32,725
Impairment losses	-	-	(150)
Total	**19,751,341**	**22,998,216**	**26,202,578**

(1) Collateralized by debt instruments.
(2) Includes R$5,474,700 thousand (2010 - R$6,188,896 thousand), of short-term transactions and low risk of change in its value, considered cash equivalents.

Note 41-d contains a detail of the residual maturity periods of loans and receivables and of the related average interest rates.

6. Debt instruments

The breakdown, by classification, type and currency, of the balances of "Debt instruments" is as follows:

Thousands of Reais	2011	2010	2009
Classification:			
Financial assets held for trading	25,298,804	16,472,413	12,554,035
Other financial assets at fair value through profit or loss	230,037	224,388	210,973
Available-for-sale financial assets	43,300,354	45,477,982	44,745,924
Loans and receivables	62,062	81,444	-
Total	**68,891,257**	**62,256,227**	**57,510,932**
Type:			
Government securities - Brazil (1)	56,833,361	55,443,469	53,620,439
Government securities - others	-	379,341	366,252
Debentures and Promissory notes	8,281,136	4,523,111	2,301,584
Other debt securities	3,776,760	1,910,306	1,252,332
Impairment losses (2)	-	-	(29,675)
Total	**68,891,257**	**62,256,227**	**57,510,932**
Currency:			
Brazilian Real	68,187,067	61,329,205	56,782,142
US dollar	704,191	547,681	392,213
Euro	-	379,341	366,252
Impairment losses (2)	-	-	(29,675)
Total	**68,891,257**	**62,256,227**	**57,510,932**

(1) Includes, substantially, National Treasury Bills (LTN), Treasury Bills (LFT) e National Treasury Notes (NTN-B, NTN-C e NTN-F).
(2) It was settled in 2010 the position in debentures and therefore written off the respective impairment loss.

At December 31, 2011, includes R$34,521,029 thousand (2010 - R$27,348,766 thousand e 2009 - R$2,590,485 thousand) of debt securities totaling had been assigned to repurchase agreements, R$2,221,258 thousand (2010 - R$7,259,356 thousand e 2009 - R$ 17,994,443 thousand) to compulsory deposits in Central Bank, R$8,851,981 thousand (2010 - R$4,316,863 thousand e 2009 - R$2,392,715 thousand) to guarantee BM&FBovespa transactions and R$3,066,458 thousand (2010 - R$5,130,939 thousand e 2009 - R$3,973,566 thousand) to escrow deposits and other guarantee. Additionally, in 2010 - R$17,425,576 thousand and 2009 - R$14,183,647 thousand related coverage of PGBL/VGBL and in 2010 - R$1,502,934 thousand and 2009 - R$1,563,334 thousand related to other investment funds.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Note 41-d contains a detail of the residual maturity periods of available-for-sale financial assets and of loans and receivables and of the related average interest rates.

7. Equity instruments

a) Breakdown

The breakdown, by classification and type, of the balances of "Equity instruments" is as follows:

Thousands of Reais	2011	2010	2009
Classification:			
Financial assets held for trading	448,209	3,283,931	2,544,441
Other financial assets at fair value through profit or loss (1)	374,519	17,423,359	13,787,109
Available-for-sale financial assets	1,307,847	1,728,037	1,660,196
Total	**2,130,575**	**22,435,327**	**17,991,746**
Type:			
Shares of Brazilian companies	1,001,644	1,153,037	1,470,918
Shares of foreign companies	1,229	503	67,876
Investment fund units and shares (1)	1,127,702	21,281,787	16,452,952
Total	**2,130,575**	**22,435,327**	**17,991,746**

(1) In 2010 and 2009, includes Investment fund units Guarantors of Benefit Plans - PGBL/VGBL, related to the liabilities for insurance contracts (note 3.a).

b) Changes

The changes in the balance of "Equity instruments – Financial assets held for trading" were as follows:

Thousands of Reais	2011	2010	2009
Balance at beginning of year	**3,283,931**	**2,544,441**	**678,993**
Changes in the scope of consolidation (note 3.a)	(1,643,066)	-	1,722,965
Net additions /disposals	(1,193,006)	360,610	(9,148)
Valuation adjustments	350	378,880	151,631
Balance at end of year	**448,209**	**3,283,931**	**2,544,441**

The changes in the balance of "Equity instruments – Other financial assets at fair value through profit or loss" were as follows:

Thousands of Reais	2011	2010	2009
Balance at beginning of year	**17,423,359**	**13,787,109**	**-**
Changes in the scope of consolidation (note 3.a)	(19,819,585)	-	11,257,572
Net additions /disposals	374,518	2,480,188	-
Valuation adjustments (1)	2,396,227	1,156,062	2,529,537
Balance at end of year	**374,519**	**17,423,359**	**13,787,109**

(1) Refers to variation of the Investment fund units Guarantors of Benefit Plans - PGBL/VGBL are accounted as income in "Other operating income (expense) - Expense from insurance contracts" net of the variations of their technical provisions.

The changes in the balance of "Equity instruments – Available-for-sale financial assets" were as follows:

Thousands of Reais	2011	2010	2009
Balance at beginning of year	**1,728,037**	**1,660,196**	**1,244,490**
Net changes in the scope of consolidation (note 3.a)	(18,539)	-	4,526
Net additions /disposals	(319,221)	(22,584)	192,600
Valuation adjustments	(82,430)	90,425	218,580
Balance at end of year	**1,307,847**	**1,728,037**	**1,660,196**

8. Derivative financial instruments and Short positions

a) Notional amounts and market values of trading and hedging derivatives

The breakdown of the notional and/or contractual amounts and the market values of the trading and hedging derivatives held by the Bank is as follows:

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Thousands of Reais	2011		2010		2009	
	Notional Amount	Market Value	Notional Amount	Market Value	Notional Amount	Market Value
Trading derivatives						
Interest rate risk and other:						
Interest rate swaps	51,472,807	2,808,157	53,050,746	15,076,839	50,761,630	12,646,099
Options - purchase and sales	258,827,369	(343,371)	351,261,588	(136,695)	181,501,740	33,762
Forward and futures contracts	64,819,935	16,780	81,921,145	10,289	32,263,081	-
Foreign currency risk:						
Currency swaps (1)	47,621,292	(3,004,037)	36,923,396	(14,522,887)	40,616,308	(11,648,297)
Options - purchase and sales	7,785,211	14,014	12,351,165	2,193	28,983,489	(333,259)
Forward and futures contracts	58,267,968	(46,721)	26,713,978	(167,694)	22,063,175	(150,008)
	488,794,582	**(555,178)**	**562,222,018**	**262,045**	**356,189,423**	**548,297**
Hedging derivatives						
Interest rate risk:						
Futures contracts (2) (3)	1,794,034	-	7,165,189	-	15,294,094	-
Interest rate swaps(4)	417,731	44,637	549,276	115,528	1,249,645	153,619
	2,211,765	**44,637**	**7,714,465**	**115,528**	**16,543,739**	**153,619**
Total	**491,006,347**	**(510,541)**	**569,936,483**	**377,573**	**372,733,162**	**701,916**

(1) Includes credit derivatives, which the Bank uses to reduce or eliminate its exposure to specific risks arising from the purchase or sale of assets associated with the credit portfolio management. In 2011, the volume of credit derivatives with total return rate – credit risk received corresponds to R$500,425 thousand (2010 - R$444,330 thousand and 2009 – R$527,532 thousand) of fair value. During the period there were no credit events related to events provided for in the contracts. Required base capital used amounted to R$3,291 thousand (2010 - R$8,121 thousand and 2009 – R$7,498 thousand).
(2) Futures contracts registered at BM&FBovespa has positions receivables and payables settled daily.
(3) In the first quarter of 2011, due to the business strategy, the structures of hedge cash flow as they had hedged certificates of deposit (CDB) were discontinued. The net effect of the outstanding debt in equity will be repaid by January 2012, the remaining term of the hedging instruments.
(4) The curve value and the fair value of loans and advance to customers classified as hedge market risk item is R$342,437 thousand (December 31, 2010 - R$429,896 thousand) and R$346,260 thousand (December 31, 2010 - R$443,446 thousand), respectively.

The notional and/or contractual amounts of the contracts entered into do not reflect the actual risk assumed by the Bank, since the net position in these financial instruments is the result of offsetting and/or combining them. This net position is used by the Bank basically to hedge the interest rate, underlying asset price or foreign currency risk; the results on these financial instruments are recognized under “Gains/losses on financial assets and liabilities (net)” in the consolidated income statements and increase or offset, as appropriate, the gains or losses on the investments hedged.

Additionally, in order to interpret correctly the results on the “Securities and Commodities Derivatives” shown in the foregoing table, it should be considered that these items relate mostly to securities options for which a premium has been received which offsets their negative market value. Also, this market value is offset by positive market values generated by symmetrical positions in the Bank’s held-for-trading portfolio.

The Bank manages the credit risk exposure of these contracts through netting arrangements with its main counterparties and by receiving assets as collateral for its risk positions.

b) Trading derivatives

The breakdown of the notional and/or contractual amounts of trading derivative by maturity is as follows:

Thousands of Reais	2011				2010	2009
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total	Total
Swap	26,822,206	20,790,385	51,481,508	99,094,099	89,974,142	91,377,938
Options	205,148,983	46,243,577	15,220,020	266,612,580	363,612,753	210,485,229
Futures contracts	61,622,162	6,299,968	32,438,882	100,361,012	94,302,441	44,886,986
Forward contracts and Others	14,871,654	4,105,167	3,750,070	22,726,891	14,332,682	9,439,270
Total	**308,465,005**	**77,439,097**	**102,890,480**	**488,794,582**	**562,222,018**	**356,189,423**

Thousands of Reais	2011				2010	2009
	Exchange (1)	Cetip (2)	Over the Counter	Total	Total	Total
Swap	31,839,671	41,448,124	25,806,304	99,094,099	89,974,142	91,377,938
Options	266,092,016	377,701	142,863	266,612,580	363,612,753	210,485,229
Futures contracts	100,361,012	-	-	100,361,012	94,302,441	44,886,986
Forward contracts and Others	17,427	14,680,915	8,028,549	22,726,891	14,332,682	9,439,270
Total	**398,310,126**	**56,506,740**	**33,977,716**	**488,794,582**	**562,222,018**	**356,189,423**

(1) Includes trades with the BM&FBovespa and other securities and commodities exchanges.
(2) Includes amount traded on other clearinghouses.

The detail of the fair value of the trading derivatives reported in assets and liabilities:

Thousands of Reais	2011		2010		2009	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Swap Differentials Receivable/Payable (1)	3,254,929	3,512,724	4,328,952	3,775,000	3,998,568	3,000,766
Option Premiums to Exercise	208,117	537,474	210,232	344,734	570,923	870,420
Forward Contracts and others	691,436	659,462	478,175	635,580	380,515	530,523
Total	**4,154,482**	**4,709,660**	**5,017,359**	**4,755,314**	**4,950,006**	**4,401,709**

(1) Includes swap options, credit and embedded derivatives.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

c) Market risk hedge

Thousands of Reais	2011 Cost	2011 Fair value	2011 Adjustment to fair value	2010 Cost	2010 Fair value	2010 Adjustment to fair value
Hedge instruments						
Swap Contracts	**74,928**	**76,175**	**1,247**	**118,348**	**115,528**	**(2,820)**
Asset	**417,731**	**453,595**	**35,864**	**549,276**	**557,766**	**8,490**
Interbank Deposit Rates - CDI	145,940	146,711	771	424,211	426,852	2,641
Indexed to Foreign Currency - Libor - Dollar	271,791	306,884	35,093	125,065	130,914	5,849
Liabilities	**(342,803)**	**(377,420)**	**(34,617)**	**(430,928)**	**(442,238)**	**(11,310)**
Indexed to Foreign Currency - Dollar	(101,410)	(102,318)	(908)	(305,837)	(311,367)	(5,530)
Indexed to Foreign Currency - Fixed - Dollar	(55,498)	(60,565)	(5,067)	(125,091)	(130,871)	(5,780)
Interbank Deposit Rates - CDI	(185,895)	(214,537)	(28,642)	-	-	-
Hedge Object	**342,473**	**346,260**	**3,787**	**429,896**	**443,446**	**13,550**
Credit Portfolio	**342,473**	**346,260**	**3,787**	**429,896**	**443,446**	**13,550**
Indexed to Foreign Currency - Dollar	100,871	102,321	1,450	304,794	311,381	6,587
Indexed to Foreign Currency - Fixed - Dollar	55,663	60,565	4,902	125,102	132,065	6,963
Interbank Deposit Rates - CDI	185,939	183,374	(2,565)	-	-	-

Thousands of Reais	2009 Cost	2009 Fair value	2009 Adjustment to fair value
Hedge instruments			
Swap Contracts	**169,931**	**153,619**	**(16,312)**
Asset	**1,249,645**	**1,259,020**	**9,375**
Interbank Deposit Rates - CDI	862,027	867,810	5,783
Indexed to Foreign Currency - Pound	387,618	391,210	3,592
Liabilities	**(1,079,714)**	**(1,105,401)**	**(25,687)**
Indexed to Foreign Currency - Dollar	(1,075,922)	(1,101,588)	(25,666)
Fixed Interest Rate - Reais	(3,792)	(3,813)	(21)
Hedge Object	**1,073,020**	**1,100,046**	**27,026**
Credit Portfolio	**685,405**	**708,566**	**23,161**
Indexed to Foreign Currency - Dollar	681,613	704,753	23,140
Fixed Interest Rate - Reais	3,792	3,813	21
Borrowings	**387,615**	**391,480**	**3,865**
Indexed to Foreign Currency - Pound	387,615	391,480	3,865

d) Cash flow hedge

Thousands of Reais	2011 Reference Value	2011 Cost	2011 Fair Value	2011 Adjustment to Fair Value	2010 Reference Value	2010 Cost/ Market	2010 Adjustment to Fair Value
Hedge instruments							
Swap Contracts	**-**	**(30,354)**	**(31,538)**	**(1,184)**	**-**	**-**	**-**
Asset	**651,490**	**651,490**	**678,479**	**26,989**	**-**	**-**	**-**
Indexed to Foreign Currency - Swiss Franc [1]	300,488	300,488	326,280	25,792	-	-	-
Indexed to Pre Interest Rate- Real [2]	351,002	351,002	352,199	1,197	-	-	-
Liabilities	**(681,844)**	**(681,844)**	**(710,017)**	**(28,173)**	**-**	**-**	**-**
Indexed to Foreign Currency - Pre Dollar	(681,844)	(681,844)	(710,017)	(28,173)	-	-	-
Future Contracts [3] [4]	**(1,794,034)**	**-**	**-**	**-**	**(6,850,698)**	**-**	**-**
DI1 Rate	(1,794,034)	-	-	-	(6,850,698)	-	-

Thousands of Reais	2009 Reference Value	2009 Cost/ Market	2009 Adjustment to Fair Value
Hedge instruments			
Future Contracts [4]	**(15,294,094)**	**-**	**-**
DI1 Rate	(15,294,094)	-	-

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Thousands of Reais	2011	2010	2009
Hedge Object - Cost	**2,518,986**	**7,385,636**	**15,337,856**
Eurobonds	300,803	-	-
Foreign Loans	351,002	-	-
Bank Deposit Certificate- CDB	1,867,181	7,385,636	15,337,856

(1) Operation with maturing on December 1, 2014, whose object of hedge transactions are eurobonds.

(2) Operation with maturing on June 15, 2012, whose object of hedge transactions are obligations with foreign loans.

(3) In 2011, operation with maturing on January 2, 2014, and the updated amount of instruments is R$1,812,796 (2010 - R$7,165,189) whose object of hedge are bank deposits certificates (CDB).

(4) The opened operations in 2010 and 2009, in the first quarter of 2011, due to business strategy, the structures of hedge cash flow which had the object are hedge bank deposits certificates (CBD) have been discontinued in the first quarter of 2011. The net effect of the outstanding equity will be amortized up to January 2012, the remaining term of the hedging instruments.

The effect of marking to market the swaps and future contracts amounts R$15,149 is recorded in stockholders' equity, net of tax effects.

e) Short positions

Short positions for 2011, 2010 and 2009 are related to Equity instruments from borrowed securities.

9. Loans and advances to customers

a) Breakdown

The breakdown, by classification, of the balances of “Loans and advances to customers” in the consolidated balance sheets is as follows:

Thousands of Reais	2011	2010	2009
Other financial assets at fair value through profit or loss	-	-	389,113
Loans and receivables[1]	183,066,268	151,366,561	127,934,811
Of which:			
Loans and receivables at amortized cost	194,184,437	160,558,323	138,005,290
Impairment losses	(11,118,169)	(9,191,762)	(10,070,479)
Loans and advances to customers, net	**183,066,268**	**151,366,561**	**128,323,924**
Loans and advances to customers, gross	**194,184,437**	**160,558,323**	**138,394,403**

(1) In 2011, the Bank, through its Grand Cayman branch, acquired from Banco Santander Spain, under commutative conditions, asset portfolio of contracts for financing export and import credit, related to operations contracted with Brazilian clients or their affiliates abroad, amounting to US$943 million (2010 - US$808 million).

Thousands of Reais	2011	2010	2009
Type:			
Loans operations [1]	192,681,804	159,184,714	137,062,083
Repurchase agreements	337,986	167,163	72,555
Other receivables	1,164,647	1,206,446	1,259,765
Total	**194,184,437**	**160,558,323**	**138,394,403**

(1) Includes loans, leasing and other loans with credit characteristics.

Note 41-d contains a detail of the residual maturity periods of loans and receivables and of the related average interest rates.

There are no loans and advances to customers for material amounts without fixed maturity dates.

b) Detail

Following is a detail, by loan type and status, borrower sector and interest rate formula, of the loans and advances to customers, which reflect the Bank’s exposure to credit risk in its core business, gross of impairment losses:

Thousands of Reais	2011	2010	2009
Loan borrower sector:			
Commercial, financial and industrial	94,921,748	78,101,177	66,600,944
Real estate-construction	6,280,168	5,392,015	3,828,675
Real estate-mortgage	10,017,772	6,698,125	5,225,798
Installment loans to individuals	76,458,873	60,250,581	49,103,083
Lease financing	6,505,876	10,116,425	13,635,903
Total [1]	**194,184,437**	**160,558,323**	**138,394,403**

(1) It includes commercial credit, secured loans, reverse repurchase agreements, finance leases, other term loans and impaired assets.

Interest rate formula:			
Fixed interest rate	133,503,436	98,669,915	90,663,927
Floating rate	60,681,001	61,888,408	47,730,476
Total	**194,184,437**	**160,558,323**	**138,394,403**

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

c) Impairment losses

The changes in the allowances for the impairment losses on the balances of “Loans and receivables” were as follows:

Thousands of Reais	2011	2010	2009
Balance at beginning of year	**9,191,762**	**10,070,479**	**8,181,156**
Impairment losses charged to income for the year	11,190,886	9,050,547	10,520,390
Of which:			
Commercial, financial and industrial	*2,943,221*	*3,097,195*	*3,071,839*
Real estate-mortgage	*97,472*	*70,538*	*27,531*
Installment loans to individuals	*7,972,084*	*5,780,316*	*7,197,954*
Lease finance	*178,109*	*102,498*	*223,066*
Write-off of impaired balances against recorded impairment allowance	(9,202,812)	(9,929,264)	(8,631,067)
Of which:			
Commercial, financial and industrial	*(2,469,617)*	*(3,209,180)*	*(3,072,849)*
Real estate-mortgage	*(36,447)*	*(42,026)*	*(31,177)*
Installment loans to individuals	*(6,484,338)*	*(6,508,585)*	*(5,377,097)*
Lease finance	*(212,410)*	*(169,473)*	*(149,944)*
Balance at end of year	**11,179,836**	**9,191,762**	**10,070,479**
Of which:			
Loans and advances to customers	**11,118,169**	**9,191,762**	**10,070,479**
Loans and amounts due from credit institutions (Note 5.a)	**61,667**	**-**	**-**

Thousands of Reais	2011	2010	2009
Recoveries of loans previously charged off	**1,809,337**	**817,635**	**537,509**
Of which:			
Commercial, financial and industrial	*352,638*	*88,507*	*41,995*
Real estate-mortgage	*65,323*	*68,792*	*57,757*
Installment loans to individuals	*1,331,104*	*634,779*	*420,366*
Lease finance	*60,272*	*25,557*	*17,391*

Taking into account these amounts recognized in “Impairment losses charged to income for the year” and the "Recoveries of loans previously charged off", the "Impairment losses on financial assets - Loans and receivables” amounted to R$9,381,549 thousand in 2011, R$8,232,912 thousand in 2010, R$9,982,881 thousand in 2009.

d) Impaired assets

The detail of the changes in the balance of the financial assets classified as “Loans and receivables – loans and advances to customers” and considered to be impaired due to credit risk is as follows:

Thousands of Reais	2011	2010	2009
Balance at beginning of year	**9,348,648**	**9,899,884**	**7,730,464**
Net additions	12,926,857	9,378,028	10,800,487
Written-off assets	(9,202,812)	(9,929,264)	(8,631,067)
Balance at end of year	**13,072,693**	**9,348,648**	**9,899,884**

This amount, after deducting the related allowances, represents the Bank’s best estimate of the fair value of the impaired assets.

Following is a detail of the financial assets considered to be impaired classified by age of the oldest past-due amount:

Thousands of Reais	2011	2010	2009
With no Past-Due Balances or Less than 3 Months Past Due	5,480,930	3,002,651	1,725,651
With Balances Past Due by			
3 to 6 Months	2,473,485	2,450,311	2,813,568
6 to 12 Months	4,342,172	3,171,528	4,818,827
12 to 18 Months	445,032	372,151	493,371
18 to 24 Months	311,679	293,796	30,770
More than 24 Months	19,395	58,211	17,697
Total	**13,072,693**	**9,348,648**	**9,899,884**

Normally, the Bank writes-off its loans when they have arrears of more than 360 days. In the case of long term loans (over 3 years), they are written-off when they complete 540 days of delay. The loss is recorded in a compensation account for a minimum of 5 years and while not exhausted all procedures for collection.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

e) Lease portfolio at present value

Thousands of Reais	2011	2010	2009
Gross investment in lease transactions	7,991,849	12,921,149	18,199,753
Lease receivables	*5,720,996*	*8,721,847*	*11,165,564*
Unrealized residual values (1)	*2,270,853*	*4,199,302*	*7,034,189*
Unearned income on lease	(5,570,537)	(8,496,306)	(10,858,258)
Offsetting residual values	(2,270,853)	(4,199,302)	(7,034,188)
Leased property and equipment	16,485,919	21,304,308	24,214,659
Accumulated depreciation	(11,346,459)	(12,324,135)	(10,041,819)
Excess depreciation	8,049,256	9,805,118	8,781,285
Losses on unamortized lease	198,119	166,451	154,887
Advances for guaranteed residual value	(7,050,545)	(9,107,457)	(9,824,700)
Other assets	19,127	46,599	44,284
Total	**6,505,876**	**10,116,425**	**13,635,903**

(1) Guaranteed residual value of lease agreements.

Leasing unrealized financial income (Income to appropriate related to Minimum payments to receive) is R$1,485,973 thousand (2010 - R$2,804,729 thousand and 2009 - R$4,563,850 thousand).

As of December 31, 2011, 2010 and 2009 there were no material agreements for lease contracts.

Breakdown by maturity

Gross investment in lease transactions

Thousands of Reais	2011	2010	2009
Overdue	214,378	322,851	339,103
Due to:			
Up to 1 year	3,728,746	5,207,603	6,330,608
From 1 to 5 years	4,042,054	7,384,925	11,523,166
Over 5 years	6,671	5,770	6,876
Total	**7,991,849**	**12,921,149**	**18,199,753**

Report per lease portfolio maturity at present value

Thousands of Reais	2011	2010	2009
Overdue	143,337	228,222	258,589
Due to:			
Up to 1 year	3,427,190	4,796,604	5,733,608
From 1 to 5 years	2,932,795	5,089,299	7,639,674
Over 5 years	2,554	2,300	4,032
Total	**6,505,876**	**10,116,425**	**13,635,903**

f) Transfer of financial assets with retention of risks and benefits

In December 2011, the Bank made a credit assignment with recourse amounting R$688,821 thousand, with retention of risks and benefits; this sale was not written off. The agreements and parts there of purpose of the assignment refer to real estate financing maturing up to October 2041. On December 31, 2011, the amount recorded on "Loans and advances to customers" referring to those assigned operations is R$686,587 thousand, and R$686,015 thousand of "Financial Liabilities Associated with the Transfer of Assets".

The assignment operation was conducted with a co-obligation clause and the mandatory repurchase is provided for in the following events:

- agreements in default for longer than 90 consecutive days;
- agreements under renegotiation;
- agreements subject to portability, pursuant to Resolution 3,401 of the Brazilian Monetary Council (CMN);
- agreements subject to intervenience.

The amount of mandatory repurchase will be calculated based on the outstanding balance of credit duly updated on the date of said repurchase.

As of the date of assignment, the cash flows of assigned operations will be paid directly to the assigning entity.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

10. Non-current assets held for sale

At December 31, 2011, 2010 and 2009, the total amount of non-current assets held for sale includes foreclosed assets and other tangible assets. The change in the "Non-current assets held for sale" is as follows:

Thousands of Reais	2011	2010	2009
Balance at beginning of year	**167,526**	**355,285**	**291,002**
Foreclosures loans and other assets transferred [1]	24,874,974	38,037	228,267
Sales [1] [2]	(24,819,126)	(225,796)	(183,195)
Acquired companies	-	-	19,211
Final balance, gross [3]	**223,374**	**167,526**	**355,285**
Impairment losses	(90,986)	(100,705)	(183,821)
Impairment as a percentage of foreclosed assets	40.73%	60.11%	51.74%
Balance at end of year	**132,388**	**66,821**	**171,464**

(1) In 2011, includes R$24,731,463 thousand of assets of Santander Seguros. Additionally, were sold R$22,349,428 thousand of liabilities directly associated with non-current assets held for sale of Santander Seguros. The assets and liabilities related to the sale of Santander Seguros (nota 3.a) are presented at net by cash flow statement.
(2) Includes sale of administrative buildings, and in 2010, mainly related to the move to new headquarter.
(3) Refers mainly to buildings and vehicles due to executions of loans.

11. Investments in associates

a) Breakdown

The breakdown, by company, of the balance of "Investments in associates" (see note 2-b) is as follows:

Thousands of Reais	Participation %			Investments		
	2011	2010	2009	2011	2010	2009
Norchem Holding e Negócios S.A.	21.75%	21.75%	21.75%	24,200	22,325	24,056
Norchem Participações e Consultoria S.A. [1]	50.00%	50.00%	50.00%	22,528	28,525	28,918
Companhia de Crédito, Financiamento e Investimento RCI Brasil [1] [6]	39.64%	39.58%	39.58%	132,514	106,939	101,303
Companhia de Arrendamento Mercantil RCI Brasil [1]	39.88%	39.88%	39.88%	232,017	202,825	189,088
Celta Holding S.A. [2]	-	-	26.00%	-	-	65,612
Cibrasec - Companhia Brasileira de Securitização [2]	13.64%	13.64%	13.64%	10,287	9,972	10,145
Estruturadora Brasileira de Projetos S.A. - EBP [2]	11.11%	-	-	679	-	-
Total				**422,225**	**370,586**	**419,122**

	Results from companies accounted for by the equity method		
	2011	2010	2009
Norchem Holding e Negócios S.A. [3]	4,074	1,780	2,870
Norchem Participações e Consultoria S.A. [1] [3]	(2,973)	2,432	1,297
Companhia de Crédito, Financiamento e Investimento RCI Brasil [1]	25,424	21,025	16,720
Companhia de Arrendamento Mercantil RCI Brasil [1]	29,102	18,017	13,133
Celta Holding S.A. [4]	-	522	4,267
ABN AMRO Brasil Dois Participações S.A. [5]	-	-	126,442
Companhia Brasileira de Meios de Pagamento - Visanet [5]	-	-	115,796
Cibrasec - Companhia Brasileira de Securitização [2] [3]	909	166	475
Estruturadora Brasileira de Projetos S.A. - EBP [2] [3]	(2,320)	-	-
Others [2]	-	-	14,414
Total	**54,216**	**43,942**	**295,414**

(1) Joint-controlled company.
(2) Although the participations was less than 20%, the Bank exercises control over the entity together with other major shareholders through a shareholders' agreement where no business decision can be taken by a single shareholder.
(3) Companies delayed by one month for the calculation of equity;
(4) Investment sold in 2010.
(5) Investment sold in 2009.
(6) The new composition of the Board of Directors is in approval process in the Bacen. Participation will be changed to 39.58% after approval of the Bacen.
(*) Associates companies do not have their shares listed on the Stock Exchange.
(**) The Bank does not have collateral with associates.
(***) The Bank does not have contingent liabilities with significant risk of possible losses related to investments in affiliates.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

b) Changes

The changes in the balance of this item were as follows:

Thousands of Reais	2011	2010	2009
Balance at beginning of year	**370,586**	**419,122**	**633,595**
Capital increase	6,107	-	-
Additions	2,999	-	-
Changes in the scope of consolidation	-	-	338,715
Disposals and capital reductions (1)	-	(59,267)	(698,988)
Effect of equity accounting	54,216	43,942	295,414
Dividends received/proposed	(11,975)	(33,211)	(153,181)
Other	292	-	3,567
Balance at end of year	**422,225**	**370,586**	**419,122**

(1) In 2009, the Bank made a disposal of investment of Companhia Brasileira de Meios de Pagamentos - (VisaNet), Tecban - Tecnologia Bancária S.A. and Companhia Brasileira de Soluções e Serviços - CBSS accounting a net gain of R$3,315 million recorded in Gains/losses on disposal of assets not classified as non-current asset held for sale.

c) Impairment losses

No impairment was accounted for with respect to investments in associates in 2011, 2010 and 2009.

d) Other disclosures

Following is a summary of the financial information on the associates (obtained from the information available at the reporting date).

Thousands of Reais	2011	2010	2009
Total assets	6,344,404	3,786,154	6,040,977
Total liabilities	5,190,461	2,721,128	5,087,708
Total revenues	1,389,839	1,087,588	605,491
Total profit	156,549	134,577	101,906

12. Tangible assets

Tangible assets of the Bank relate to property, plant and equipment for own use. The Bank does not have tangible assets held as investment property nor leased out under operating leases. The Bank is also not a part of any financial lease contracts as of and during fiscal years ended December 31, 2011, 2010 and 2009.

The detail, by class of asset, of the tangible assets in the consolidated balance sheets is as follows:

Thousands of Reais	Cost	Accumulated Depreciation	Impairment Losses	Net Balance
Land and buildings	2,098,622	(220,186)	(86,053)	**1,792,383**
IT equipment and fixtures	1,233,776	(747,826)	-	**485,950**
Furniture and vehicles	2,068,058	(644,622)	-	**1,423,436**
Balance at December 31, 2009	**5,400,456**	**(1,612,634)**	**(86,053)**	**3,701,769**
Land and buildings	2,226,175	(269,553)	(61,304)	**1,895,318**
IT equipment and fixtures	1,317,006	(852,129)	-	**464,877**
Furniture and vehicles	3,000,988	(844,337)	-	**2,156,651**
Works in progress and others	1,263	-	-	**1,263**
Balance at December 31, 2010	**6,545,432**	**(1,966,019)**	**(61,304)**	**4,518,109**
Land and buildings	2,409,478	(311,518)	(51,348)	**2,046,612**
IT equipment and fixtures	1,529,811	(999,913)	-	**529,899**
Furniture and vehicles	3,586,082	(1,157,120)	-	**2,428,962**
Works in progress and others	2,833	-	-	**2,833**
Balance at December 31, 2011	**7,528,204**	**(2,468,550)**	**(51,348)**	**5,008,306**

Changes

The changes in “Tangible assets” in the consolidated balance sheets were as follows:

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Thousands of Reais	2011	2010	2009
Cost:			
Balance at beginning of the year	**4,518,109**	**3,701,769**	**3,829,074**
Changes in the scope of consolidation (note 3)	(1,727)	-	4,072
Additions	1,074,509	1,319,869	1,815,803
Write-off	(22,102)	(15,356)	(1,552,876)
Depreciation	(570,132)	(487,626)	(447,138)
Impairment losses	9,642	1,317	4,566
Other net items	7	(1,864)	48,268
Balance at end of the year	**5,008,306**	**4,518,109**	**3,701,769**

The depreciation expenses has been included in the line item "Depreciation and amortization" in the income statement.

13. Intangible assets - Goodwill

The goodwill recorded is subject to impairment test at least annually or in a short period, whenever there are indications of impairment and was allocated according to the operating segments (note 42).

The base used to evaluate the impairment test is the value in use, for this purpose, management estimates cash flow that is subject to several factors, including: (i) macro-economic projections of interest rates, inflation, exchange rate and other, (ii) the conduct and growth estimates (iii) increased costs, returns, synergies and investment plan, (iv) the behavior of customers, and (v) growth rate and adjustments applied to flows in perpetuity. The adoption of these estimates involves the likelihood of future events and changing some of these factors could have a different result.

Based on the assumptions described above the tests carried out did not identify any impairment to goodwill in 2011, 2010 e 2009.

Thousands of Reais	2011	2010	2009
Breakdown:			
Banco ABN Amro Real S.A.	27,217,565	27,217,565	27,217,565
Real Seguros Vida e Previdência (3)	-	1,094,671	1,094,671
Total	**27,217,565**	**28,312,236**	**28,312,236**
Operating segments:			
Commercial Banking	27,217,565	27,217,565	27,217,565
Asset Management and Insurance	-	1,094,671	1,094,671
Total	**27,217,565**	**28,312,236**	**28,312,236**

	Commercial Banking			Asset Management and Insurance (3)
	2011	**2010**	**2009**	**2010**
Main assumptions:				
Basis of valuation	Value in use: cash flows			
Period of the projections of cash flows (1)	10 years	10 years	3 years	7 years
Growth rate	5.0%	5.0%	4.5%	5.0%
Discount rate (2)	15.2%	15.5%	15.2%	16.7%

(1) The projections of cash flow are prepared using internal budget and growth plans of the administration, based on historical data, market expectations and conditions such as industry growth, interest hate and inflation.
(2) The discount rate is calculated based on the capital asset pricing model (CAPM).
(3) In 2011, the amount of Real Seguros Vida e Previdência was redeemed based on the process of the sale of the Santander Seguros (note 3.a). In 2009, due to the merger of shares of Santander Seguros, completed later this year and the result of calculating the economic value assessment made recently, the Bank has not detected and therefore not recognized losses for non-recovery of value (impairment).

Sensitivity test was carried out of the main premises, reasonable possible change, and was not identified any impairment to goodwill.

The changes of goodwill in December, 31 2011, 2010 and 2009 were as follows:

Thousands of Reais	2011	2010	2009
Balance at beginning of the year	**28,312,236**	**28,312,236**	**27,488,426**
Acquisitions:			
Banco ABN Amro Real S.A. (1)	-	-	124,684
Real Seguros Vida e Previdência	-	-	1,094,671
Disposals:			
Banco ABN Amro Real S.A. (2)	-	-	(395,545)
Real Seguros Vida e Previdência (3)	(1,094,671)	-	-
Balance at end of the year	**27,217,565**	**28,312,236**	**28,312,236**

(1) In 2009 includes the adjusted amount of R$124,684 thousand, related to fair value´s final determination, as allowed by IFRS 3.
(2) In 2009, includes the partial write-off of the goodwill on investments on ABN Amro Brasil Dois Participações S.A. and Companhia Brasileira de Meios de Pagamento - Visanet.
(3) In 2011, includes the write-off of the goodwill related to Real Seguros Vida e Previdência, due the sale of the all shares of Santander Seguros (note 3.a).

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

14. Intangible assets - Other intangible assets

a) Breakdown

The details by asset category of the "other intangible assets" of the consolidated balance sheets are as follow:

Thousands of Reais	Estimated Useful Life	Cost	Accumulated Depreciation	Impairment Losses (1)	Net Balance
IT developments	3 years	1,711,000	(655,186)	(65,046)	**990,768**
Customer relationship	(2)	4,288,031	(1,468,512)	(742,101)	**2,077,418**
Other assets	Up to 5 years	237,517	-	-	**237,517**
Balance at December 31, 2009		**6,236,548**	**(2,123,698)**	**(807,147)**	**3,305,703**
IT developments	3 years	2,405,493	(782,054)	(64,695)	**1,558,744**
Customer relationship	(2)	4,616,136	(2,033,146)	(740,748)	**1,842,242**
Other assets	Up to 5 years	249,397	-	-	**249,397**
Balance at December 31, 2010		**7,271,026**	**(2,815,200)**	**(805,443)**	**3,650,383**
IT developments	3 years	2,981,909	(985,676)	(335)	**1,995,898**
Customer relationship	(2)	4,514,257	(1,874,746)	(623,392)	**2,016,119**
Other assets	Up to 5 years	205,498	-	-	**205,498**
Balance at December 31, 2011		**7,701,664**	**(2,860,422)**	**(623,727)**	**4,217,515**

(1) Includes impairment loss of the asset recorded for the purchase of the payroll of public entities. This loss was recognized due to: (i) change in the law of the portability of the current account that allowed customers to choose the bank which they want to receive their salaries, (ii) reduction on the market value of payrolls And (iii) contracts termination history.

(2) Includes accrued payments related to the commercial partnership contracts with the private and public sectors to secure exclusivity for banking services of payroll credit processing and payroll loans, maintenance of collection portfolio, supplier payment services and other banking services. Banco Real's customer relationship is amortized in 10 years and exclusivity contracts for provision of banking services are amortized over the term of the respective agreements.

b) The changes in “Other intangible assets” were as follows:

Thousands of Reais	2011	2010	2009
Balance at beginning of year	**3,650,383**	**3,305,703**	**3,506,861**
Change in the scope of consolidation (note 3.a)	(2,754)	-	8,296
Additions/Disposals	1,478,802	1,086,208	1,466,411
Amortization	(891,902)	(749,784)	(801,474)
Impairment losses (1)	(17,070)	(813)	(859,216)
Other net changes	56	9,069	(15,175)
Balance at end of year	**4,217,515**	**3,650,383**	**3,305,703**

(1) In 2009, includes a provision for impairment losses over the purchase of contracts for providing banking services in the amount of R$818,843 thousand. This impairment was recognized due to: (i) change in the Law of the portability of current accounts which allowed customers to choose the bank which they want to receive their salaries; (ii) reduction on the market value of contracts for provision of banking services; and (iii) the contracts termination experience.

The amortization expenses has been included in the line item “Depreciation and amortization” in the income statement.

15. Other assets

The breakdown of the balance of “Other assets” is as follows:

Thousands of Reais	2011	2010	2009
Prepayments and accrued income	641,098	870,276	1,059,738
Contractual guarantees of former controlling stockholders (Note 22.d iv)	992,687	-	-
Actuarial asset (Note 22.b)	86,751	-	-
Other receivables	966,207	1,042,725	811,699
Total	**2,686,743**	**1,913,001**	**1,871,437**

16. Deposits from the Brazilian Central Bank and Deposits from credit institutions

The breakdown, by classification, type and currency, of the balances of these items is as follows:

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Thousands of Reais	2011	2010	2009
Classification:			
Other financial liabilities at fair value through profit or loss	-	-	1,795
Financial liabilities at amortized cost	51,527,021	42,391,572	21,195,959
Total	**51,527,021**	**42,391,572**	**21,197,754**
Type:			
Demand deposits [1]	133,567	344,072	195,081
Time deposits [2]	27,022,696	28,867,406	20,838,179
Repurchase agreements	24,370,758	13,180,094	164,494
Total	**51,527,021**	**42,391,572**	**21,197,754**
Currency:			
Reais	33,811,322	26,794,663	10,706,908
Euro	437,811	307,022	236,572
US dollar	15,141,705	14,065,828	10,004,349
Other currencies	2,136,183	1,224,059	249,925
Total	**51,527,021**	**42,391,572**	**21,197,754**

(1) Non-interest bearing accounts.

(2) It includes the operation with credit institution arising from export and import financing lines, BNDES and Finame on-lending and abroad and other credit lines abroad.

Note 41-d contains a detail of the residual maturity periods of financial liabilities at amortized cost and of the related average interest rates.

17. Customer deposits

The breakdown, by classification and type, of the balance of “Customer deposits” is as follows:

Thousands of Reais	2011	2010	2009
Classification:			
Financial liabilities at amortized cost	174,473,891	167,949,201	149,440,156
Total	**174,473,891**	**167,949,201**	**149,440,156**
Type:			
Demand deposits			
Current accounts [1]	*13,561,003*	*16,131,836*	*15,139,942*
Savings accounts	*23,293,434*	*30,303,463*	*25,216,924*
Time deposits	83,941,820	68,916,301	74,633,544
Repurchase agreements	53,677,634	52,597,601	34,449,746
Total	**174,473,891**	**167,949,201**	**149,440,156**

(1) Non-interest bearing accounts.

Note 41-d contains a detail of the residual maturity periods of financial liabilities at amortized cost and of the related average interest rates.

18. Marketable debt securities

The breakdown, by classification and type, of the balance of “Marketable debt securities” is as follows:

Thousands of Reais	2011	2010	2009
Classification:			
Financial liabilities at amortized cost	38,590,423	20,086,645	11,439,010
Total	**38,590,423**	**20,086,645**	**11,439,010**
Type:			
Real estate credit notes - LCI	8,550,108	7,614,891	5,985,385
Bonds and other securities	6,539,765	3,351,137	2,850,777
Treasury Bills[1]	19,926,031	6,638,936	-
Securitization notes (MT100) [2]	2,152,543	1,577,181	1,371,588
Agribusiness credit notes - LCA	1,341,232	904,500	1,231,260
Debenture [3]	80,744	-	-
Total	**38,590,423**	**20,086,645**	**11,439,010**

(1) In 2010, National Monetary Council (CMN) allowed financial institutions to issue Treasury Bills. This instrument can be used to expand the long-term financing market; its main features are: minimum term of two years, minimum notional amount of R$300 thousand and only 5% of the issued amount may be early redeemed by the issuer. On December 31, 2011, have a maturity between 2012 to 2016.

(2) Issuance of bonds tied to the right to receive of future flow of payment orders receivable from foreign correspondent banks.

(3) Debentures issued with remuneration indexed CDI + 1.77%p.a. interest rate and maturity November 21, 2012, issued by subsidiaries MS Participações Societárias S.A.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

The breakdown, by currency, of the balance of this account is as follows:

	Thousands of Reais			Average interest (%)		
Currency:	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Reais	32,681,252	16,174,057	9,718,114	10.2%	10.5%	9.0%
US dollar	5,608,368	3,905,890	1,671,530	3.8%	2.4%	3.3%
Swiss Francs	300,803	-	-	3.0%	-	-
Euro	-	6,698	49,366	0.0%	0.3%	0.4%
Total	**38,590,423**	**20,086,645**	**11,439,010**	**8.8%**	**10.4%**	**7.9%**

The changes in the balance of Marketable debt instruments were as follows:

Thousands of Reais	2011	2010	2009
Balance at beginning of the period	**20,086,645**	**11,439,010**	**12,085,655**
Issues	29,501,246	21,402,252	14,746,518
Payments	(14,895,052)	(12,828,958)	(16,080,145)
Interest (Note 30)	3,226,644	1,212,962	1,047,750
Exchange differences and Others	670,940	(1,138,621)	(360,768)
Balance at end of the period	**38,590,423**	**20,086,645**	**11,439,010**

At December 31, 2011, 2010 and 2009, none of these issues was convertible into Bank shares or granted privileges or rights which, in certain circumstances, make them convertible into shares.

A note 41-d contains a detail of the residual maturity periods of financial liabilities at amortized cost and of the related average interest rates in each year.

The breakdown of "Bonds and other securities" were as follows:

	Issuance	Maturity	Currency	Interest rate (p.a)	2011	2010	2009
Eurobonds	March-11	March-14	R$	Libor + 2.1%	2,252,536	-	-
Eurobonds	April and November-10	April-15	US$	4.5%	1,617,341	1,447,210	-
Eurobonds	January and June-11	January-16	US$	4.3%	1,608,424	-	-
Eurobonds	November-05	November-13	R$	17.1%	333,182	471,849	471,849
Eurobonds	June-11	December-14	CHF (2)	3.1%	300,803	-	-
Eurobonds	December-10	December-11	US$	Zero Cupom	-	730,948	-
Eurobonds	March-05	March-13	R$	17.0%	169,223	169,299	169,299
Eurobonds	December-11	January-12	US$	Zero Cupom	73,017	-	-
Eurobonds (1)	June-07	May-17	R$	FDIC	28,196	31,347	25,676
Eurobonds	February-05	February-10	R$	16.2%	-	-	803,154
Structured notes	April-09	April-10	R$	102,5% CDI	-	-	179,494
Others					157,043	500,484	1,201,305
Total					**6,539,765**	**3,351,137**	**2,850,777**

(1) Indexed to Credit Event Notes.

(2) Swiss Francs

The composition of "securitization notes - MT100" is as follows:

	Issuance	Maturity	Currency	Interest rate (p.a)	2011	2010	2009
Series 2004-1 (1)	September-04	September-11	US$	5.5%	-	33,457	334,070
Series 2008-1 (1)	May-08	March-15	US$	6.2%	265,203	294,133	336,599
Series 2008-2 (1) (2)	August-08	September-17	US$	Libor (6 months) + 0.8%	753,126	668,916	524,595
Series 2009-1 (1) (3)	August-09	September-14	US$	Libor (6 months) + 2.1%	94,494	83,924	87,752
Series 2009-2 (1) (4)	August-09	September-19	US$	6.3%	95,435	84,771	88,572
Series 2010-1 (1) (5)	December-10	March-16	US$	Libor (6 months) + 1.5%	471,594	411,980	-
Series 2011-1 (1) (6)	May-11	March-18	US$	4.2%	189,790	-	-
Series 2011-2 (1) (7)	May-11	March-16	US$	Libor (6 months) + 1.4%	282,901	-	-
Total					**2,152,543**	**1,577,181**	**1,371,588**

(1) With charges payable semiannually.
(2) Principal is payable in 6 semiannual installments from March, 2015 (the period of this series was extended by three years in August, 2011).
(3) The principal will be paid semiannually in 6 installments from March 2012.
(4) The principal will be paid semiannually in 14 installments from March 2013.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

(5) The principal will be paid semiannually in 7 installments from March 2013.
(6) The principal will be paid semiannually in 9 installments from March 2014.
(7) The principal will be paid semiannually in 5 installments from March 2014.

19. Subordinated liabilities

The detail of the balance of "Subordinated liabilities" is as follows:

Thousands of Reais	Issuance	Maturity [1]	Amount (millions)	Interest rate	2011	2010	2009
Subordinated Certificates	June-06	July-16	R$1.500	105.0% CDI	2,801,102	2,495,990	2,263,856
Subordinated Certificates [4] [6]	March-09	March-19	R$1.507	13,8%	-	-	1,667,219
Subordinated Certificates	October-06	September-16	R$850	104.5% CDI	1,516,018	1,351,627	1,226,492
Subordinated Certificates	July-07	July-14	R$885	104.5% CDI	1,427,982	1,273,137	1,155,269
Perpetual Bonds [5][6]	September-05	Indeterminate	US$500	8,7%	-	-	870,259
Subordinated Certificates	April-08	April-13	R$600	100.0% CDI + 1.3%	920,870	814,922	733,444
Subordinated Certificates	April-08	April-13	R$555	100.0% CDI + 1.0%	848,876	753,066	679,443
Subordinated Certificates	July-06 to October-06	July-16 to July-18	R$447	104.5% CDI	822,956	733,718	665,790
Subordinated Certificates	January-07	January-13	R$300	104.0% CDI	516,217	460,494	418,055
Subordinated Certificates	August-07	August-13	R$300	100.0% CDI + 0.4%	482,026	430,041	390,192
Subordinated Certificates	January-07	January-14	R$250	104.5% CDI	431,194	384,437	348,846
Subordinated Certificates	May-08 to June-08	May-13 to May-18	R$283	CDI [2]	422,628	374,705	338,366
Subordinated Certificates	May-08 to June-08	May-13 to June-18	R$268	IPCA [3]	431,919	372,952	325,676
Subordinated Certificates [1]	November-08	- November-14	R$100	120.5% CDI	146,183	128,062	114,490
Subordinated Certificates [1]	February-08	February-13	R$85	IPCA +7.9%	140,373	121,954	107,048
Total					**10,908,344**	**9,695,105**	**11,304,445**

(1) Subordinated certificates of deposit issued by Banco Santander S.A. with yield paid at the end of the term together with the principal.
(2) Indexed to 109% and 112% of the CDI or CDI plus interest of 1.16% p.a. to 1.53% p.a.
(3) Indexed to the IPCA (extended consumer price index) plus interest of 8.28% p.a. to 8.65% p.a.
(4) On January 22, 2010, the Bank redeemed in advance the Subordinate CDB (bank certificate of deposit), whose creditor was Banco Santander Spain, pursuant to authorization granted by the Central Bank of Brazil on January 8, 2010. In addition, in the redeemed of the Subordinate CDB, it was established a discount of R$ 64,188 thousand accounted in "Gains/losses on financial assets and liabilities".
(5) On September 20, 2010, was redeemed in advance the Perpetual Bonds, issued by the Grand Cayman branch pursuant to authorization by the Bacen in August 4, 2010.
(6) The purpose of the anticipated redemption was to improve the funding structure of the Bank, accordingly to the strategy informed in the use of proceeds of the "Final Global Offering Prospect for the Initial Public Offering of Certificates of Deposit Shares (Units) Issuance of Banco Santander (Brasil) S.A" and Form F-1.

The detail by currency, of the balance of "Subordinated liabilities" is as follows:

	Thousands of Reais			Average Interest Rate (%)		
Currency:	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Reais	10,908,344	9,695,105	10,434,186	11.2%	10.9%	9.7%
US Dollar	-	-	870,259	-	-	8.7%
Total	**10,908,344**	**9,695,105**	**11,304,445**	**11.2%**	**10.9%**	**9.7%**

The changes in "Subordinated liabilities" were as follows:

	2011	2010	2009
Balance at beginning of year	**9,695,105**	**11,304,445**	**9,197,429**
Issues	-	-	1,507,000
Subordinated Certificates (maturity in May 2019 and 13.5% fixed interest rate)	-	-	*1,507,000*
Payments	-	*(2,598,938)*	*(159,905)*
Redemption			
Subordinated Certificates (maturity in May 2019 and 13.5% fixed interest rate)	-	(1,680,461)	-
Perpetual Non-Cumulative Junior Subordinated Securities (indeterminate maturity 8.7% fixed interest rate and amount of issuance U$500 million)	-	(879,294)	-
Interest payments	-	(39,183)	(159,905)
Interest (Note 30)	1,213,239	999,423	1,076,557
Foreign exchange	-	(9,825)	(316,636)
Balance at end of year	**10,908,344**	**9,695,105**	**11,304,445**

Note 41-d contains a detail of the residual maturity periods of subordinated liabilities at each year-end and of the related average interest rates in each year.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

20. Other financial liabilities

The breakdown of the balances of these items is as follows:

Thousands of Reais	2011	2010	2009
Credit card obligations	11,000,043	7,332,714	5,293,202
Unsettled financial transactions	1,914,897	2,370,678	2,060,835
Dividends payable	1,182,284	2,166,714	1,623,885
Tax collection accounts - Tax payables	579,413	621,510	482,544
Liability associated with the transfer of assets (Note 9.f)	686,015	-	-
Other financial liabilities	589,355	726,632	727,698
Total	**15,952,007**	**13,218,248**	**10,188,164**

Note 41-d contains a detail of the residual maturity periods of other financial assets and liabilities at each year-end.

21. Liabilities for insurance contracts

In 2010 and 2009 consisted mainly of technical provisions - Individual Life and Life covering survival (note 3.a).

22. Provisions

a) Breakdown

The breakdown of the balance of "Provisions" is as follows:

Thousands of Reais	2011	2010	2009
Provisions for pensions and similar obligations	1,246,040	1,190,108	1,096,799
Provisions for judicial and administrative proceedings, commitments and other provisions	8,269,255	8,205,053	8,383,463
Of which:			
Provisions for judicial and administrative proceedings, commitments and other provisions (1)	7,276,568	8,205,053	8,383,463
Provisions for judicial and administrative proceedings under the responsibility of former controlling stockholders (note 22.d iv)	992,687	-	-
Total	**9,515,295**	**9,395,161**	**9,480,262**

(1) Includes mainly provisions for taxes and others legal, civil and labor contingencies.

b) Changes

The changes in "Provisions" were as follows:

Thousands of Reais	2011			2010		
	Pensions	Other Provisions (1)	Total	Pensions	Other Provisions (1)	Total
Balance at beginning of year	**1,190,108**	**8,205,053**	**9,395,161**	**1,096,799**	**8,383,463**	**9,480,262**
Net change in the scope of consolidation (Note 3.a)	-	(127,419)	(127,419)	-	-	-
Additions charged to income:						
Interest income and similar charges (Note 29)	(55,103)	-	(55,103)	-	-	-
Interest expense and similar charges (Note 30)	145,181	-	145,181	156,419	-	156,419
Personnel Expenses (Note 37.a & 22.d)	19,460	-	19,460	16,212	-	16,212
Additions to provisions (2)	118,502	2,942,961	3,061,463	179,265	1,795,061	1,974,326
Payments to pensioners and early retirees with a charge to internal provisions	(39,596)	-	(39,596)	(38,200)	-	(38,200)
Payments to external funds	(219,263)	-	(219,263)	(220,387)	-	(220,387)
Amount used	-	(2,672,142)	(2,672,142)	-	(2,233,557)	(2,233,557)
Transfer to other assets - actuarial assets (Note 15)	86,751	-	86,751	-	-	-
Transfers, exchange differences and other changes	-	(79,198)	(79,198)	-	260,086	260,086
Balance at end of year	**1,246,040**	**8,269,255**	**9,515,295**	**1,190,108**	**8,205,053**	**9,395,161**

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Thousands of Reais	2009		
	Pensions	Other Provisions [1]	Total
Balance at beginning of year	**1,078,916**	**7,836,329**	**8,915,245**
Net change in the scope of consolidation	-	96,459	96,459
Additions charged to income:			
Interest expense and similar charges (Note 30)	100,567	-	100,567
Personnel Expenses (Note 37.a & 22.d)	36,534	-	36,534
Additions to provisions	43,464	3,437,229	3,480,693
Payments to pensioners and early retirees with a charge to internal provisions	(35,752)	-	(35,752)
Payments to external funds	(130,095)	-	(130,095)
Amount used [3]	-	(2,726,181)	(2,726,181)
Transfers, exchange differences and other changes	3,165	(260,373)	(257,208)
Balance at end of year	**1,096,799**	**8,383,463**	**9,480,262**

(1) Includes, primarily, legal obligations, tax and social security, labor and civil contingencies.

(2) In the fourth quarter of 2011 were made up an additional R$648.7 million provision for labor proceedings concerning the Bank's initiative to accelerate the agreements in order to reduce the volume of open cases. Alongside this, the Bank has been working strongly in the prevention of labor disputes, with improvements in controls journey governance in outsourcing, among other measures.

(3) In 2009, includes payment for the adhesion to the program of installments and payment of tax, debts and social security established by Law 11,941/2009. The main processes included in this program were: (i) Deductibility of CSLL, in which the Conglomerate Santander's entities were claiming the deduction of CSLL in the calculation of IRPJ. (ii) CSLL equal tax treatment lawsuit filed by several companies of the Conglomerate Santander's entities challenging the application of an increased CSLL rate (18% - 30%) for financial institutions as compared to the rate for non-financial companies (8% - 10%) and (iii) Concurrency IRPJ, in which ABN Leasing intended to reconcile for income tax depreciation expense in the same period of leasing revenue recognition. Considering the regulations established in this Law, the accounting effects in the case of processes including tax and social security in the form of cash payments were recorded at the time of joining the program.

c) Provisions for pensions and similar obligations

i. Supplemental Pension Plan

The Banco Santander and its subsidiaries sponsor private pension entities and plans exclusive to employees and former employees, pension funds and cash assistance with the purpose of providing retirement and pension benefits that supplement those provided by the government, as defined in the basic regulations of each plan.

• Banesprev - Fundo Banespa de Seguridade Social (Banesprev)

- Defined benefit plan fully defrayed by Banco Santander, covers employees hired after May 22, 1975 called Participants Recipients, and those hired until May 22, 1975 called Participants Aggregates, who are also entitled to death benefits. Plan is closed to new entrants since March 28, 2005.

- Plan II: defined benefit plan, constituted from July 27, 1994, effective of the new text of the Statute and Regulations of the Basic Plan II, Plan I participants who chose the new plan began to contribute to the rate of 44.9% stipulated by the actuary for funding each year. Plan is closed to new entrants since June 3, 2005.

- Plan V: defined benefit plan fully defrayed by Banco Santander, covers employees hired until after May 22, 1975.

- Supplemental Pension Plan: defined benefit plan was created in view of the privatization of Banespa and is managed by Banesprev and offered only to employees hired before May 22, 1975, this Plan effective January 1, 2000. Plan is closed to new entrants since April 28, 2000.

- Plan III: variable contribution plan, for employees hired after May 22,1975, previously served by the Plans I and II. Under this plan contributions are made by the sponsor and the participants. The benefits are in the form of defined contribution during the period of contribution and defined benefit during the receipt of benefit, if paid as monthly income for life.

- Plan IV: variable contribution plan, designed for employees hired as of November 27, 2000, in which the sponsor only contributes to the risk benefits and administrative expenses. In this plan the benefit is set in the form of defined contribution during the period of contribution and defined benefit during the receipt of benefits in the form of monthly income for life, in whole or in part of the benefit. The risk benefits of the plan are in the form of defined benefit. Plan is closed to new entrants since July 23, 2010.

• Sanprev - Santander Associação de Previdência (Sanprev)

- Plan I: defined benefit plan, established on September 27, 1979, covering employees of the sponsor enrolled in the plan and is in process of termination since June 30, 1996.

- Plan II: plan that provides insurance risk, pension supplement temporary, disability retirement annuity and the supplemental death and sickness allowance and birth, including employees enrolled in the plan sponsor and is funded solely by sponsors through monthly contributions, as indicated by the actuary. Plan is closed to new entrants since March 10, 2010.

- Plan III: variable contribution plan covering employees of the sponsors who made the choice to contribute, by contributing freely chosen by participants from 2% of salary contribution. That the benefit plan is a defined contribution during the contribution and defined benefit during the receipt of the benefit, being in the form of monthly income for life, in whole or in part of the benefit. Plan is closed to new entrants since March 10, 2010.

• Bandeprev - Bandepe Previdência Social (Bandeprev)

Defined benefit plan, sponsored by Banco Bandepe and Banco Santander, managed by Bandeprev. The plans are divided into basic plan and special retirement supplement plan, with different eligibility requirements, contributions and benefits by subgroups of participants. Both plans are closed to new entrants.

• Other plans

SantanderPrevi - Sociedade de Previdência Privada (SantanderPrevi): defined contribution plan, which was redesigned since June 2009, with shared contribution between employee and company. SantanderPrevi is a private pension entity engaged in providing social security benefit plans which are supplementary to the government social security plan, in accordance with prevailing legislation.

Fundação América do Sul de Assistência e Seguridade Social (Fasass): In July, 2009, after the approval of the Supplementary Pension Plan Secretariat (SPC), the individual reserves of defined benefit and variable contribution private pension plans, under the responsibility of Fasass, were transferred to the private pension plan company which is not a member of the Santander Group. The purpose of this operation is to offer to the assisted members and beneficiaries the option of receiving a benefit equivalent to that of the PGBL (pension plan similar to a life insurance), in view of the cancellation of the sponsorship by the Bank, approved by SPC on February 27, 2009. For the members who joined the new plans (PGBLs), Banco Santander transferred R$26,963 thousand, to form the Mathematical Reserve for Benefits Granted.

Previban - Previdência Privada Paraiban (Previban): In March de 2009, the withdrawal of Previban sponsoring was completed with the settlement of R$213 thousand in actuarial obligations.

Banco Santander and subsidiary companies are the sponsor of the welfare plans, supplemental retirement plan and of pension plans for associated employees, structured as defined benefit plans.

ii. Actuarial Techniques

The amount of the defined benefit obligations was determined by independent actuaries using the following actuarial techniques:

• **Valuation method:**

Projected unit credit method, which sees each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

• **Nominal discount rate for actuarial obligation:**

- Banesprev, Sanprev, SantanderPrevi, Bandeprev and Other Plans - 10.4% (2010 - 10.7% and 2009 - 11.1%).

• **Expected rate of return on plan assets:**

- Banesprev - Plan I - 10.9% (2010 - 11.3% and 2009 -12.1%).
- Banesprev - Plan II - 12.4% (2010 - 11.1% and 2009 -12.5%).
- Banesprev - Plan III - 12.4% (2010 - 11.3% and 2009 -12.5%).
- Banesprev - Plan IV - 10.7% (2010 - 12.2% and 2009 -10.6%).
- Banesprev - Supplementary retirement and pension plan - 10.7% (2010 - 11.4% and 2009 -11.1%).
- Banesprev - Plan V - 10.7% (2010 - 11.0% and 2009 - 10.8%).
- Sanprev - 10.6% (2010 - 11.1% and 2009 - 10.6%).
- Bandeprev - 10.5% (2010 - 11.0% and 2009 -10.0%).
- SantaderPrevi - 10.7% (2010 - 10.8% and 2009 - 9.7%).
- Other Plans: null - the plan does not have assets.

• **Estimated long-term inflation rate:**

- Banesprev, Sanprev, SantanderPrevi, Bandeprev and Other Plans - 4.4% (2010 - 4.4% and 2009 - 4.2%).

• **Estimate salary increase rate:**

- Banesprev, Sanprev, SantanderPrevi, Bandeprev Básico and Other Plans - 4.9% (2010 - 4.9% and 2009 - 4.7%).

iii. Health and Dental Care Plan

• **Cabesp - Caixa Beneficente dos Funcionários do Banco do Estado de São Paulo S.A**

The Banco Santander contributes to Cabesp, an entity that covers health and dental care expenses of employees hired until Banespa privatization in 2000.

• **SantanderPrevi's Retirees**

SantanderPrevi's retirees' health care plan is a lifetime benefit and receives a subsidy of 30% of the basic plan cost from the sponsor, payable only to beneficiaries entitled to the benefits through December 31, 2002. Costing is made directly by the sponsor.

• **Former employees of Banco Real S.A. (retiree by Circulares)**

The health care plan of the former employees of Banco Real is a lifetime benefit and receives a subsidy of 90% of the basic plan cost from the sponsor.

• **Bandeprev's retirees**

The health care plan of Bandeprev's pension plan beneficiaries is a lifetime benefit, for which the Banco Santander is responsible for defraying 50% of the benefits of employees retired before the date the sponsor Banco Bandepe was privatized and 30% of the benefits of employees retired after privatization.

• **Officer with Lifetime Benefits (Lifetime Officers)**

Lifetime health care benefit granted to former officers of Banco Sudameris Brasil S.A. who held an officer position at Banco Sudameris Brasil S.A. for a period of 10 years or more (closed group).

• **Life insurance for Banco Real's retirees**

Life insurance policy for former employees of Banco Real. Upon the death of the beneficiary, his/her dependent receives a lump-sum death benefit and, upon the death of the beneficiary's spouse, the beneficiary receives 50% of such amount. Banco subsidizes 45% of the total premium (closed group).

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

• **Free clinic**

The health care plan "free clinic" is a lifetime plan offered to the retirees who have contributed to Fundação Sudameris for at least 25 years and is funded by the users. The plan is offered only for hospitalization in wards.

• **Plasas**

Voluntary health plan, created on July 1, 1989, supplementary to the health care plan and only for cases of hospitalization. It includes a reserve made up by participants' and Fasass' contributions, which are suspended since August 1999. The Plan is closed to new entrants since July 1999.

Additionally, it is assured to retired employees, since they meet to certain legal requirements and full pays their respective contributions, the right to be maintaining as a beneficiary of the Bank health plan, in the same conditions for healthcare coverage, taken place during their employment contract. The Bank's provisions related to this retired employees are accrued using actuarial calculations based in the present value of the current cost.

The funding status of the defined benefit obligations in 2011 and in the last 4 years are as follows:

Thousands of Reais	**2011**	**2010**	**2009**	**2008**	**2007**
Present value of the obligations - Post-employment plans:					
To current employees	1,312,325	1,212,603	1,078,765	954,321	798,056
Vested obligations to retired employees	15,268,283	14,009,689	12,644,915	11,676,568	9,205,628
	16,580,608	**15,222,292**	**13,723,680**	**12,630,889**	**10,003,684**
Less:					
Fair value of plan assets	15,051,746	14,522,452	13,324,387	12,390,745	10,117,296
Unrecognized actuarial (gains)/losses	1,181,202	439,175	223,152	(180,135)	(576,868)
Unrecognized assets (1)	(525,613)	(581,833)	(619,308)	(378,950)	(314,201)
Unrecognized past service cost	-	-	358	-	-
Provisions – Post-employment plans, net	**873,273**	**842,498**	**795,091**	**799,229**	**777,457**
Present value of the obligations - Other similar obligations:					
To current employees	601,549	530,858	23,053	26,806	-
Vested obligations to retired employees	4,569,371	3,759,378	3,842,505	2,684,670	2,786,207
To beneficiaries of early retirement	-	-	-	44	181
	5,170,920	**4,290,236**	**3,865,558**	**2,711,520**	**2,786,388**
Less:					
Fair value of plan assets	4,535,896	4,142,589	3,683,450	2,897,569	2,782,114
Unrecognized actuarial (gains)/losses	447,397	(6,600)	282,858	(223,100)	148,346
Unrecognized assets (1)	(98,389)	(193,363)	(402,457)	(242,636)	(144,254)
Provisions – Other similar obligations, net	**286,016**	**347,610**	**301,707**	**279,687**	**182**
Total provisions for pension plans, net	**1,159,289**	**1,190,108**	**1,096,798**	**1,078,916**	**777,639**
Of which:					
Actuarial provisions	1,246,040	1,190,108	1,096,799	1,078,916	777,639
Actuarial assets (note 15)	86,751	-	-	-	-

(1) Refers to fully funded plans Banesprev I, III and IV, Sanprev I,II and III, Bandeprev and Plasas.

The amounts recognized in the consolidated income statement in relation to the aforementioned defined benefit obligations are as follows:

Thousands of Reais			**Post-Employment Plans**		
	2011	**2010**	**2009**	**2008**	**2007**
Current service cost (note 37 & 22.b)	19,460	16,212	22,051	21,284	24,745
Interest cost	1,561,367	1,460,199	1,362,265	1,362,586	1,195,156
Expected return on plan assets	(1,543,051)	(1,337,358)	(1,291,696)	(1,278,663)	(1,082,537)
Extraordinary charges:					
Actuarial (gains)/losses recognized in the year	135,628	61,699	36,552	16,726	8,305
Past service cost	-	-	57	-	-
Early retirement cost	89	32	-	-	-
Total	**173,493**	**200,784**	**129,229**	**121,933**	**145,669**

Thousands of Reais			**Other Similar Obligations**		
	2011	**2010**	**2009**	**2008**	**2007**
Current service cost (note 37 & 22.b)	-	-	14,483	23,776	13,732
Interest cost	445,405	424,157	307,459	311,758	269,275
Expected return on plan assets	(469,625)	(390,579)	(277,461)	(304,244)	(269,275)
Extraordinary charges:					
Actuarial (gains)/losses recognized in the year	2,310	58,958	6,857	-	-
Early retirement cost	38,335	58,576	-	1,633	8,426
Total	**16,425**	**151,112**	**51,338**	**32,923**	**22,158**

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

The changes in the present value of the accrued defined benefit obligations were as follows:

Thousands of Reais	Post-Employment Plans				
	2011	2010	2009	2008	2007
Present value of the obligations at beginning of year	**15,222,292**	**13,723,680**	**12,630,889**	**10,003,684**	**8,732,563**
Changes in the scope of consolidation	-	-	-	1,372,869	-
Current service cost	19,460	16,212	22,051	21,284	24,745
Interest cost	1,561,367	1,460,199	1,362,265	1,362,586	1,195,156
Early retirement cost	89	32	-	-	-
Benefits paid	(1,171,279)	(1,064,412)	(1,394,064)	(922,771)	(843,702)
Actuarial (gains)/losses	924,447	1,085,254	1,102,539	931,691	989,648
Others	24,232	1,327	-	(138,454)	(94,726)
Present value of the obligations at end of year	**16,580,608**	**15,222,292**	**13,723,680**	**12,630,889**	**10,003,684**

Thousands of Reais	Other Similar Obligations				
	2011	2010	2009	2008	2007
Present value of the obligations at beginning of year	**4,290,236**	**3,865,558**	**2,711,520**	**2,786,388**	**2,047,784**
Changes in the scope of consolidation	-	-	-	291,755	-
Current service cost	-	-	14,483	23,776	13,732
Interest cost	445,405	424,157	307,459	311,758	269,275
Early retirement cost	(4,411)	1,026	-	1,633	8,426
Benefits paid	(220,030)	(177,674)	(178,875)	(157,266)	(157,685)
Actuarial (gains)/losses	633,116	132,301	1,010,971	(539,867)	651,450
Other	26,604	44,868	-	(6,657)	(46,594)
Present value of the obligations at end of year	**5,170,920**	**4,290,236**	**3,865,558**	**2,711,520**	**2,786,388**

The changes in the fair value of the plan assets were as follows:

Thousands of Reais	Post-Employment Plans				
	2011	2010	2009	2008	2007
Fair value of plan assets at beginning of year	**14,522,452**	**13,324,387**	**12,390,745**	**10,117,296**	**3,745,220**
Changes in the scope of consolidation (1)	-	-	-	1,574,595	-
Expected return on plan assets	1,543,051	1,337,358	1,291,696	1,278,663	1,082,537
Actuarial gains/(losses)	(16,316)	778,074	684,445	230,194	1,373,486
Contributions	173,838	129,051	106,837	83,055	4,730,968
Of which:					
By the Bank (2)	153,744	108,501	84,495	67,513	4,712,879
By plan participants	20,094	20,550	22,341	15,542	18,089
Benefits paid	(1,171,279)	(1,051,854)	(1,149,336)	(893,058)	(814,915)
Exchange differences and other items	-	5,436	-	-	-
Fair value of plan assets at end of year	**15,051,746**	**14,522,452**	**13,324,387**	**12,390,745**	**10,117,296**

Thousands of Reais	Other Similar Obligations				
	2011	2010	2009	2008	2007
Fair value of plan assets at beginning of year	**4,142,589**	**3,683,450**	**2,897,569**	**2,782,114**	**2,430,500**
Changes in the scope of consolidation (1)	-	-	-	93,401	-
Expected return on plan assets	469,625	390,579	277,461	304,244	269,275
Actuarial gains/(losses)	94,361	188,771	638,240	(169,057)	169,143
Contributions	64,878	58,833	42,751	41,487	42,860
Of which:					
By the Bank (2)	59,576	53,944	37,635	36,021	36,184
By plan participants	5,301	4,889	5,116	5,466	6,676
Benefits paid	(218,173)	(192,371)	(172,571)	(153,225)	(129,664)
Exchange differences and other items	(17,384)	13,327	-	(1,395)	-
Fair value of plan assets at end of year	**4,535,896**	**4,142,589**	**3,683,450**	**2,897,569**	**2,782,114**

(1) In 2008, refers mainly to Banco Real.

(2) In 2007, includes the initial transfer and the monthly amounts paid to Banesprev for the plan V.

In 2012 the Bank expects to make contributions to fund these obligations for amounts similar to those made in 2011.

The main categories of plan assets as a percentage of total plan assets are as follows:

	2011	2010	2009	2008	2007
Equity instruments	2.77%	5.05%	2.55%	5.47%	8.66%
Debt instruments	93.38%	92.91%	96.58%	92.85%	89.33%
Properties	0.50%	0.47%	0.12%	0.10%	0.01%
Other	3.36%	1.57%	0.75%	1.58%	2.00%

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

The expected return on plan assets was determined on the basis of the market expectations for returns over the duration of the related obligations.

The following table shows the estimated benefits payable at December 31, 2011 for the next ten years:

Thousands of Reais	
2012	1,472,012
2013	1,553,172
2014	1,631,184
2015	1,712,929
2016 to 2020	12,052,042
Total	**18,421,339**

Presumptions about the rates related to medical care costs have a significant impact on the amounts recognized in income. A change of one percentage point in the medical care cost rates would have the effects as follows:

Thousands of Reais	Sensitivity	
	(+) 1.0%	(-) 1.0%
Effect on current service cost and interest on actuarial liabilities	4,723	(3,544)
Effects on present value of obligation	841,994	(683,696)

d) Provisions for judicial and administrative proceedings, commitments and other provisions

i. Legal obligations and tax and social security contingencies (probable loss risk)

The main judicial and administrative proceedings involving tax and social security that remains are:

• PIS and Cofins - R$6,833,010 thousand (2010 - R$5,119,731 thousand and 2009 - R$3,734,078 thousand): lawsuit filed by several companies of the conglomerate against the provisions of Law 9,718/98, pursuant to which PIS and COFINS must be levied on all revenues of legal entities. Prior to said provisions, already overruled by several recent decisions by the Federal Supreme Court, PIS and Cofins were levied only on revenues from services and sale of goods.

• CSLL - equal tax treatment - R$49,314 thousand (2010 - R$278,194 thousand and 2009 - R$258,985 thousand) - lawsuits filed by several companies of the Group challenging the application of an increased CSLL rate (18% - 30%) for financial institutions as compared to the rate for non-financial companies (8% - 10%). These proceedings were not subject of the application of Law 11,941/2009.

• Increase in CSLL tax rate - R$979,938 thousand (2010 - R$848,734 thousand and 2009 - R$548,550 thousand) - The Bank and other companies of the Group filed for an injunction to avoid the increase in the CSLL tax rate established by Executive Act 413/2008, converted into Law 11,727/2008. Financial institutions were subject to a CSLL tax rate of 9%, however the new legislation established a 15% tax rate.

• Service Tax (ISS) - Financial Institutions - R$542,443 thousand (2010 - R$473,371 thousand and 2009 - R$268,845 thousand): refers to discussions to administrative and judicial proceedings against several counties require the payment of ISS on several revenues from operations that are not usually qualified as service on several companies of the Consolidated.

• Social Security Contribution (INSS) - R$288,137 thousand (2010 - R$259,526 thousand and 2009 - R$209,045 thousand): refers to discussions to administrative and judicial proceedings seeking collection of social security contribution and education allowance on amounts that normally are not considered as wage which is the basis for application of the percentage of Social Security contribution on several companies of the Consolidated.

ii. Provisions for judicial and administrative proceedings - labor lawsuits

These are lawsuits brought by labor Unions, Associations, Public Prosecutors and former employees claiming labor rights they understand are due, especially payment for overtime and other labor rights, including retirement benefit lawsuits.

For claims considered to be similar and usual, provisions are recognized based on the history of payments made. Claims that do not fit into the previous criterion are accrued according to the escrow deposits made for the lawsuits or are assessed individually, and provision are recognized based on the status of each lawsuit, law and previous court decisions according to the assessment of the likelihood of a favorable outcome, and the risk assessment made by the legal counsel.

ii. Provisions for judicial and administrative proceedings - civil lawsuits

Refer to judicial proceedings related to civil lawsuits classified, are:

Lawsuits for indemnity - seek indemnity for property damage and/or moral, relating to the consumer relationship on matters related to credit cards, consumer credit, bank accounts, collection and loans and other operations. In the civil lawsuits considered to be similar and usual, provisions are recognized based on the history of payments made. Civil lawsuits that do not fit into the previous criterion are accrued according to the individual assessment made, and provisions are recognized based on the status of each lawsuit, law and previous court decisions according to the assessment of the likelihood of a favorable outcome, and the risk assessment made by the legal counsel.

Economic Plans - efforts to recover the deficient inflation adjustments in savings accounts and judicial deposits arising from Economic Plans (Bresser, Verão, Collor I and II). These refer to the lawsuits filed by savings accountholders disputing the interest credited by Banco Santander under such plans as they considered that such legal amendments infringed on the rights acquired with regard to the application of the inflation indexes. Provisions are set aside for such lawsuits based on the average payments made historically. Civil lawsuits that do not fit into the previous criterion are accrued according to the individual assessment made, and provisions are recognized based on the status of each lawsuit, law and previous court decisions according to the assessment of the likelihood of a favorable outcome, and classification of the legal counsel. Banco Santander is also party in public class action suits on the same issue filed by consumer rights organizations, Public Prosecutor's Offices and Public Defender's Offices. In these cases, the provision is made only after the final unappealable sentence is handed down on the lawsuits, based on the individual execution orders. The Superior Court of Justice (STJ) position's by the moment is against the banks. The Supreme Court is still analyzing the subject and has already ordered the suspension of all cases except those which have not yet been judged or those which are in an execution stage. The Supreme Court has decided favorably to the banks in similar cases involving CDBs (Bank Deposit Certificates) and the revision of agreements (Tablita). However it has not definitively decided about the constitutionality of the rules involving Economic Plans. On April 14, 2010, the Superior Court decided that the period of prescription for class actions regarding Economic plans is five years from each Economic Plan dates. With this decision, most actions, such as were proposed after a period of 5 years will probably be dismissed, reducing the involved values. Still, in October 2011 the Supreme Court decided that the deadline for individual savers qualify in civil class actions, it is also five years, counted from the res judicata of the respective sentence. Banco Santander believes that its defense's arguments can be well succeed.

iv. Other lawsuits under the responsibility of former controlling stockholders

Refer to tax, labor and civil lawsuits in the amounts of R$969,485 thousand, R$14,150 thousand and R$9,052 thousand (2010 - R$455,841 thousand, R$30,764 thousand and R$7,180 thousand and 2009 - R$430,357 thousand, R$61,141 thousand and R$33,601 thousand), with responsibility of the former controlling stockholders of the banks and acquired entities. Based on the agreements signed these lawsuits have guarantees of integral reimbursement by the former controlling stockholders, whose respective rights were recorded under other assets.

v. Contingent liabilities classified as possible loss risk

Refer to judicial and administrative proceedings involving tax, civil and labor matters assessed by legal counsels as possible losses, which were not accounted for. The main lawsuits are:

• CPMF (tax on banking transactions) on Customer Operations - in May 2003, the Federal Revenue Service issued an Infraction Notice against Santander Distribuidora de Títulos e Valores Mobiliários Ltda. (Santander DTVM), actual Produban Serviços de Informática S.A. and another Infraction Notice against the former Banco Santander Brasil S.A., both in the amount of R$290 million. The notices refer to the collection of a CPMF tax credit on transactions conducted by Santander DTVM in the management of its customers' funds and clearance services provided by the Bank to Santander DTVM, according to the agreement between these two companies, in 2000, 2001 and the first two months of 2002. Both companies consider that the tax treatment adopted was adequate since said transactions were subject to CPMF at zero rate. The Board of Tax Appeals (CARF) judged the administrative proceedings, annulling the infraction notice of Santander DTVM and maintaining the infraction notice of the Bank. All these administrative proceedings are pending of decisions at the end of their resources to the last instance of CARF. The updated amount of each proceeding is approximately R$564 million.

• IRPJ and CSLL on Reimbursement Arising from Contractual Guarantees - The Federal Revenue Service issued infraction notices against Banco Santander, whose objects are the collection of IRPJ and CSLL taxes for tax years 2002 to 2006 on amounts reimbursed by the former controlling shareholder of the Bozano Simonsen group arising from acts of management responsibility, which payments were paid by the consolidated entities. The tax authority deemed the amounts deposited on behalf of these entities to be taxable income and not reimbursements. In December 2011 the CARF judged the administrative process for the 2002 base period (R$438.7 million), offsetting the full assessment notice. The decision may be appealed by the Authority by the last instance of CARF. The updated amount is approximately R$644 million.

• Addition to the Price on the Purchase of Shares of Banco do Estado de São Paulo S.A. - Banespa - Filed an ordinary action claiming the inexistence of legal relationship before the National Treasury in relation to item 3.1 of the Banespa's Share Purchase and Sale Agreement. Such item provided for the payment of an addition to the minimum price should Banespa be released from the tax contingency recognized at the time of the privatization upon the setting of the minimum price. After an unfavorable lower court decision, on April 23, 2008, the 1st Region Federal Court accepted the appeal filed by the Bank and declared undue the collection. At these moment, awaits the decision on the appeal trial by the Union. The updated amount involved is approximately R$422 million.

• Credit Losses - Administrative collection by the Federal Revenue Service in view of the deduction from the IRPJ and CSLL basis of credit losses once they would not have met the conditions and terms laid down in the current legislation. The updated amount involved is approximately R$335 million.

• CSLL - equal tax treatment - Constitutional Amendment 10 from 1996 - Lawsuit regarding the difference from social contribution tax rate applied to financial institutions and equivalent entities in the first half of 1996, as such tax rate was higher than the rates applied to other legal entities, which is contrary to the precedence and non-retroactivity constitutional principle. The adjusted amount involved is approximately R$108 million.

• CSLL - Favorable and unappealable decision - This lawsuit claims to remove the requirements of the tax credit claimed by the Federal Revenue Service related to alleged irregularities in the payment of CSLL. The Bank has granted a favorable final and unappealable decision that overrule the collection of CSLL under Law 7,689/1988 and Law 7,787/1989 in the period required by Federal Revenue Service. The updated amount involved is approximately R$170 million.

• IRPJ and CSLL - Capital Gain - the Brazilian Federal Revenue Service issued a tax assessment against Santander Seguros (legal successor of ABN AMRO Brasil Dois Participações S.A. (AAB Dois Par)) charging income tax and social contribution related to 2005 tax year, their understanding was that the capital gain should be paid on a tax rate an aliquot of lower than supposed due on the sale of the Real Seguros S.A. and Real Vida e Previdência S.A by AAB Dois Par . The assessment was appealed at the administrative level as the Company understanding is that the tax treatment adopted in the transaction was in compliance with the current tax law and the capital gain was properly taxed. The administrative process is to be trial. Banco Santander is responsible for any adverse outcome in this process as a former controlling stockholders of Santander Seguros. The amount involved is R$212 million.

• INSS on Profit Sharing (PLR) - refers to administrative and legal proceedings arising from tax assessments, which aim to collect social security contributions on payments made by the Bank and the consolidated companies, as a PLR. The Tax Authorities have concluded that the requirements were not met the law. Against these charges were brought the applicable appeals, because the Management believes that all procedures have been adopted under the law to characterize the nature of payment of PLR. The updated amount involved is approximately R$273 million.

• Semiannual Bonus or Profit Sharing - Labor lawsuit relating to the payment of a semiannual bonus or, successively, profit sharing to retired employees from the former Banco do Estado de São Paulo S.A. - Banespa, hired by May 22, 1975. This lawsuit was filed by Banespa's Retirees Association and was judged by the Superior Labor Court and the Banco Santander has filed an appeal, which the admissibility of the Supreme Court has been granted. The involved amount is not disclosed due to the current stage of the lawsuit and the possibility of affecting its progress.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

23. Tax assets and liabilities

a) Income and Social Contribution Taxes

The total charge for the year can be reconciled to accounting profit as follows:

Thousands of Reais	2011	2010	2009
Operating profit before tax, net of profit sharing	8,910,536	9,996,503	8,137,129
Interest on capital (1)	(1,550,000)	(1,760,000)	(825,122)
Unrealized profits	(914)	(6,614)	(4,707)
Income before taxes	**7,359,622**	**8,229,889**	**7,307,300**
Rates (25% income and contribution tax and 15% social contribution tax)	**(2,943,849)**	**(3,291,956)**	**(2,922,920)**
PIS and COFINS (net of income and social contribution taxes) (2)	**(1,037,570)**	**(856,107)**	**(993,057)**
Permanent differences:			
Equity in subsidiaries	21,687	17,577	118,166
Goodwill(3)	1,241,381	1,391,527	1,462,386
Exchange variation - foreign branches (4)	767,921	(196,941)	(634,492)
Adjustments:			
Constitution of income and social contribution taxes on temporary differences	602,394	165,083	195,529
Effects of change in rate of social contribution taxes (5)	9,439	19,911	29,140
Other adjustments	183,915	136,977	116,083
Income and social contribution taxes	**(1,154,683)**	**(2,613,929)**	**(2,629,165)**
Of which:			
Current tax	(2,732,999)	(2,501,876)	(3,650,660)
Deferred taxes	1,578,316	(112,053)	1,021,495
Taxes paid in the year	(1,932,317)	(1,043,419)	(1,973,257)

(1) Amount distributed to shareholders as interest attributable to shareholders' equity. For accounting purposes, although the interest should be reflected in the statement of income for tax deduction, the charge is reversed before the calculation of the net income in the statutory financial statements and deducted from the shareholders' equity since is considered as dividend.

(2) PIS and COFINS are considered a profit-base component (net basis of certain revenues and expenses), therefore and accordingly to IAS 12 it is recorded as income taxes.

(3) The difference between the tax basis and accounting basis of goodwill on acquisition of Banco ABN Amro Real S.A. is a difference of a permanent nature and definitive, since the possibility of future use of resources to settle a tax liability is considered remote by the Administration in this case the possibility of loss on impairment or disposal only applies to the entity as a whole and according to the characteristics of the business combination performed, it is not possible to segregate and identify the business originally acquired. Therefore, amortization of goodwill tax creates a permanent differences and there is not record of the deferred tax liability (note 45).

(4) Relates to gain (net loss in 2010 and 2009) arising from the economic hedge of the Bank's position in Cayman, which is a non-autonomous subsidiary, offset by a loss (gain in 2010 and 2009) recorded on "Gain/Losses on Financial Assets and Liabilities (Net)" (note 34), the latter being taxable/deductible.

(5) Effect of rate differences for the other non-financial corporations, which the social contribution tax rate is 9%.

b) Effective tax rate calculation

The effective tax rate is as follows:

Thousands of Reais	2011	2010	2009
Operating profit before tax	8,910,536	9,996,503	8,137,129
Income tax	1,154,683	2,613,929	2,629,165
Effective tax rate (1)	12.96%	26.15%	32.31%

(1) In 2011, 2010 and 2009, considering the tax effect of the exchange variation over foreign branches and the economic hedge, accounted in the Gains (losses) on financial assets and liabilities (net) (note 34) the effective tax rate would have been 23.5%, 23.2% and 25%, respectively.

c) Tax recognized in equity

In addition to the income tax recognized in the consolidated income statement, the Bank recognized the following amounts in consolidated equity:

Thousands of Reais	2011	2010	2009
Tax credited to equity	**97,498**	**94,911**	**149,851**
Measurement of available-for-sale securities	97,498	90,888	-
Measurement of cash flow hedges	-	4,023	149,851
Tax charged to equity	**(852,474)**	**(692,881)**	**(568,155)**
Measurement of available-for-sale securities	(845,109)	(681,097)	(568,155)
Measurement of cash flow hedges	(7,365)	(11,784)	-
Total	**(754,976)**	**(597,970)**	**(418,304)**

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

d) Deferred taxes

The detail of the balances of "Tax assets – Deferred" and "Tax liabilities – Deferred" is as follows:

Thousands of Reais	2011	2010	2009
Tax assets deferred	**14,171,076**	**13,415,298**	**13,617,159**
Of which:			
Temporary differences (1)	12,121,076	11,211,372	11,947,404
Tax loss carryforwards	1,352,273	1,462,490	1,669,755
Social contribution taxes 18%	697,727	741,436	-
Tax offset	**2,073**	**209,582**	**-**
Total deferred tax assets	**14,173,149**	**13,624,880**	**13,617,159**
Tax liabilities deferred	**3,748,104**	**4,280,159**	**3,867,857**
Of which:			
Excess depreciation of leased assets	2,012,314	2,454,253	2,153,120
Adjustment to fair value of trading securities and derivatives	1,735,790	1,825,906	1,714,737
Total deferred tax liabilities	**3,748,104**	**4,280,159**	**3,867,857**

(1) Temporary differences relate mainly to impairment losses on loans and receivables and provisions for judicial and administrative proceedings.

In 2011, were not recorded tax assets amounting R$995,838 thousand.

The changes in the balances of "Tax Assets – Deferred" and "Tax Liabilities – Deferred" in the last two years were as follows:

Thousands of Reais	Balances at December 31, 2010	Adjustment to Income	Valuation adjustments (1)	Acquisitions for the Year (Net of disposals)	Balances at December 31, 2011
Deferred tax assets	**13,415,298**	**827,601**	**(2,873)**	**(68,950)**	**14,171,076**
Temporary differences	11,211,372	981,527	(2,873)	(68,950)	12,121,076
Tax loss carryforwards	1,462,490	(110,217)	-	-	1,352,273
Social contribution taxes 18%	741,436	(43,709)	-	-	697,727
Deferred tax liabilities	**4,280,159**	**(707,006)**	**276,494**	**(101,543)**	**3,748,104**
Temporary differences	4,280,159	(707,006)	276,494	(101,543)	3,748,104
Total	**9,135,139**	**1,534,607**	**(279,367)**	**32,593**	**10,422,972**

Thousands of Reais	Balances at December 31, 2009	Adjustment to Income	Valuation adjustments (1)	Acquisitions for the Year (Net of disposals)	Balances at December 31, 2010
Deferred tax assets	13,617,159	212,960	(205,239)	-	13,624,880
Deferred tax liabilities	3,867,857	325,013	87,289	-	4,280,159
Total	**9,749,302**	**(112,053)**	**(292,528)**	**-**	**9,344,721**

Thousands of Reais	Balances at December 31, 2009	Adjustment to Income	Valuation adjustments (1)	Acquisitions for the Year (Net of disposals)	Balances at December 31, 2010
Deferred tax assets	11,769,157	1,753,146	107,989	(13,133)	13,617,159
Deferred tax liabilities	3,130,894	731,651	3,960	1,352	3,867,857
Total	**8,638,263**	**1,021,495**	**104,029**	**(14,485)**	**9,749,302**

(1) It relates to tax recognized in equity.

e) Expected realization of tax loss carryforwards

Year	Temporary differences	Tax loss carryforwards	Social contribution taxes 18%
2012	6,427,415	359,626	14,146
2013	2,833,213	657,469	162,471
2014	1,675,781	204,696	100,278
2015	271,989	76,785	25,949
2016	260,824	53,697	207,524
2017 to 2019	310,804	-	187,359
After 2019	341,050	-	-
Total	**12,121,076**	**1,352,273**	**697,727**

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

24. Other liabilities

The breakdown of the balance of “Other Liabilities” is as follows:

Thousands of Reais	2011	2010	2009
Accrued expenses and deferred income	1,930,290	1,646,121	1,751,717
Transactions in transit	695,880	411,426	349,097
Provision for share-based payment	158,543	86,568	33,221
Other	1,143,138	1,461,723	2,093,733
Total	**3,927,851**	**3,605,838**	**4,227,768**

25. Valuation adjustments

The balances of “Valuation adjustments” include the amounts, net of the related tax effect, of the adjustments to assets and liabilities recognized temporarily in equity stated in the statement of changes in equity and recognized income and expense until they are extinguished or realized, when they are recognized in the consolidated income statement. The amounts arising from subsidiaries and jointly controlled entities are presented, on a line by line basis, in the appropriate items according to their nature.

It should be noted that the statement of recognized income and expense includes the changes to “Valuation adjustments” as follows:

- Revaluation gains/losses: includes the amount of the income, net of the expenses incurred in the year, recognized directly in equity. The amounts recognized in equity in the year remain under this item, even if in the same year they are transferred to the income statement or to the initial carrying amount of the assets or liabilities or are reclassified to another line item.

- Amounts transferred to income statement: includes the amount of the revaluation gains and losses previously recognized in equity, even in the same year, which are recognized in the income statement.

- Amounts transferred to the initial carrying amount of hedged items: includes the amount of the revaluation gains and losses previously recognized in equity, even in the same year, which are recognized in the initial carrying amount of assets or liabilities as a result of cash flow hedges.

- Other reclassifications: includes the amount of the transfers made in the year between the various valuation adjustment items.

In the Consolidated Statements of Recognized Income and Expense the amounts in "Valuation adjustments" are recognized gross, including the amount relating to non-controlling interests, and the corresponding tax effect is presented under a separate item, except in the case of entities accounted for using the equity method, the amounts for which are presented net of the tax effect.

a) Available-for-sale financial assets

This item includes the net amount of unrealized changes in the fair value of assets classified as available-for-sale financial assets.

b) Cash flow hedges

This item includes the gains or losses attributable to hedging instruments that qualify as effective hedges. These amounts will remain under this heading until they are recognized in the consolidated income statement in the periods in which the hedged items affect it (see note 8-d).

Accordingly, amounts representing valuation losses will be offset in the future by gains generated by the hedged instruments.

26. Non-controlling interests

“Non-controlling interests” include the net amount of the equity of subsidiaries attributable to equity instruments that do not belong, directly or indirectly, to the Bank, including the portion attributed to them of profit for the year.

a) Breakdown

The detail, by company, of the balance of “Equity - Non-controlling interests” is as follows:

Thousands of Reais	2011	2010	2009
Agropecuária Tapirapé S.A.	-	67	63
Santander Leasing S.A. Arrendamento Mercantil	784	987	910
Santander CHP S.A.	1,712	409	297
Brasil Foreign Diversified Payment Rights Finance Company	2	2	67
Santander Getnet Serviços para Meios de Pagamentos S.A. (1)	13,061	6,611	-
MS Participações Societárias S.A. (2)	3,401	-	-
Other companies	-	-	1
Total	**18,960**	**8,076**	**1,338**

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Profit attributable to non-controlling interests	**7,928**	**481**	**358**
Of which:			
Agropecuária Tapirapé S.A.	-	3	3
Santander Leasing S.A. Arrendamento Mercantil	83	77	94
Santander CHP S.A.	1,302	276	261
Santander Getnet Serviços para Meios de Pagamentos S.A. (1)	6,450	111	-
MS Participações Societárias S.A. (2)	93	-	-
Other companies	-	14	-

b) Changes

The changes in the balance of “Non-controlling interests” are summarized as follows:

Thousands of Reais	2011	2010	2009
Balance at beginning of year	**8,076**	**1,338**	**5,279**
Inclusion of companies (1) (2)	3,308	6,500	-
Dividends paid	(352)	(164)	(297)
Profit attributable to non-controlling interests	7,928	481	358
Others (3)	-	(79)	(4,002)
Balance at end of year	**18,960**	**8,076**	**1,338**

(1) On January 14, 2010, the Bank signed the contractual and bylaw instruments with GetNet to explore, develop and market transaction capture and processing services involving credit and/or debit cards in the Brazilian market. Santander holds veto power in decisions related to business strategy also enables the Bank to Getnet the use of the branch network the Bank's brand and marketing products, which among other factors determines the Bank's control under the authority .

(2) Refers to minority interests in MS Participações Societárias S.A.

(3) In 2009, refers substantially to the reduction of minority interest in Banco Comercial e de Investimento S.A. Sudameris (BCIS) and Banco ABN AMRO Real S.A., due to the incorporation of these institutions by Banco Santander. In these transactions the Bank's shares were given to the minority shareholders, which now directly participate in Banco Santander.

27. Shareholders’ equity

a) Capital

According to the Banco Santander’s bylaws, the Banco Santander's capital may be increased to the limit of authorized capital, regardless of statutory, by resolution of the Board of Directors and through the issuance of up to 500 billion new shares, within the limits legally established as the number of preferred shares. Any increase in capital in excess of this limit will require the approval of the stockholders. The paid-up capital is represented as follows:

	Thousands of shares					
		2011			2010	
	Common	Preferred	Total	Common	Preferred	Total
Brazilian residents	16,000,704	16,052,894	32,053,598	38,084,679	36,130,149	74,214,828
Foreign residents	196,841,028	170,149,491	366,990,519	174,757,053	150,072,236	324,829,289
Total shares	**212,841,732**	**186,202,385**	**399,044,117**	**212,841,732**	**186,202,385**	**399,044,117**
(-) Treasury shares	(391,254)	(355,685)	(746,939)	-	-	-
Total outstanding	**212,450,478**	**185,846,700**	**398,297,178**	**212,841,732**	**186,202,385**	**399,044,117**

	Thousands of shares		
		2009	
	Common	Preferred	Total
Brazilian residents	33,546,259	32,004,313	65,550,572
Foreign residents	179,295,473	154,198,072	333,493,545
Total shares	**212,841,732**	**186,202,385**	**399,044,117**

On April 27, 2010, the Extraordinary Stockholders' Meeting approved the proposal of capital increase amounting to R$22,130 thousand, without the issuance of new shares, through the incorporation of capital reserves, which was ratified by Bacen on June 24, 2010.

On October 13, 2009, as a result of the Global Share Offering, the capital of Banco Santander was increased by 525,000.000 Units (totaling 55,125,000 thousand shares, out of which 28,875,000 thousand are common shares and 26,250,000 thousand are preferred shares), each Unit represents 55 common shares and 50 preferred shares, all registered shares, without par value. On October 29, 2009 the number of shares initially offered in the Global Share Offering was increased by 6.85%, i.e., 35,955,648, (3,775,343 thousand shares, of which 1,977,561 thousand are ordinary shares and 1,797,782 thousand are preferred shares). The capital increase totaled R$ 12,988,842 thousand net of issuances costs of R$193,616 thousand.

The Extraordinary Shareholders' Meeting held on August 14, 2009 approved the capital increase of Banco Santander in the amount of R$2,471,413, with the issuance of 14,410,886 thousand shares (7,710,343 thousand are common shares and 6,700,543 thousand are preferred share) ,all of them registered and without par value, related to the share merger of Santander Seguros, Santander Brasil Asset and BCIS.

b) Dividends and Interest on Capital

In accordance with the Bank’s bylaws, stockholders are entitled to a minimum dividend equivalent to 25% of net income for the year, adjusted according to legislation. Preferred shares are nonvoting and nonconvertible, but have the same rights and advantages granted to common shares, in addition to priority in the payment of dividends 10% higher than those paid on common shares, and in the capital reimbursement, without premium, in the event of liquidation of the Banco Santander.

Dividend payments have been prepared and will continue to be prepared in accordance with Brazilian Corporate Law.

Before the annual shareholders meeting, the Board of Directors may establish the amount of dividends out of earnings based on (i) balance sheets or earning reserves from the last balance sheet; or (ii) balance sheets issued in the period shorter than 6 months, in which case the payment of dividends shall not exceed the amount of capital reserves. These payments are fully input into the mandatory dividend.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

		2011		
	Thousands of Reais	Reais per Thousand Shares / Units		
		Common	Preferred	Units
Interest on capital (1)(5)(9)	600,000	1.4366	1.5802	158.0216
Reserve for equalization dividend (2)(5)	273,840	0.6556	0.7212	72.1211
Interim Dividends (2)(5)(9)	476,160	1.1401	1.2541	125.4059
Interest on capital (3)(5)(9)	550,000	1.3168	1.4485	144.8532
Interim Dividends (4)(5)(9)	100,000	0.2394	0.2634	26.3369
Interest on capital (6)(8)(9)	400,000	0.9592	1.0551	105.5127
Interim Dividends (7) (8) (9)	775,000	1.8590	2.0449	204.4944
Total in December 31, 2011	**3,175,000**			

(1) Established by the Board of Directors in March, 2011, Common Shares - R$1.2211, and Preferred Shares - R$1.3432 and Units - R$134.3184, net of taxes.
(2) Established by the Board of Directors in May, 2011.
(3) Established by the Board of Directors in June, 2011, Common Shares - R$1.1193, and Preferred Shares - R$1.2313 and Units - R$123.1252, net of taxes.
(4) Established by Board of Directors in June, 2011.
(5) The amount of interest on capital and dividends intermediate / intermediate was paid on August 29, 2011.
(6) Established by the Board of Directors in September, 2011, Common Shares - R$0.8153, and Preferred Shares - R$0.8969 and Units - R$89.6858, net of taxes.
(7) Established by Board of Directors in December 2011.
(8) The amount of interest on capital will be paid on a date to be timely informed, without any compensation as monetary.
(9) The amount of interim dividends and interest on capital will be allocated entirely to the mandatory distribution of income for the year 2011.

		2010		
	Thousands of Reais (9)	Reais per Thousand Shares / Units		
		Common	Preferred	Units
Interest on capital (1)(4)	400,000	0.9577	1.0535	105.3477
Intermediate dividends (2)(4)	500,000	1.1917	1.3168	131.6847
Interest on capital (3)(4)	400,000	0.9577	1.0535	105.3477
Interest on capital (5)(8)	530,000	1.2690	1.3959	139.5858
Interest on capital (6)(8)	430,000	1.0295	1.1325	113.2488
Intermediate dividends (7)(8)	1,280,000	3.0647	3.3711	337.1128
Total in December 31, 2010	**3,540,000**			

(1) Established by the Board of Directors in March, 2010, Common Shares - R$0.8141 and Preferred Shares - R$0.8955 and Units - R$89.5456, net of taxes.
(2) Established by the Board of Directors in June, 2010.
(3) Established by the Board of Directors in June, 2010, Common Shares - R$0.8141 and Preferred Shares - R$0.8955 and Units - R$89.5456, net of taxes.
(4) The Amounts for the Interest on Capital were paid on August 25, 2010.
(5) Established by the Board of Directors in September, 2010, Common Shares - R$1.0786 and Preferred Shares - R$1.1865 and Units - R$118.6479, net of taxes.
(6) Established by the board of Directors in December, 2010, Common Shares - R$0.8751, and Preferred Shares - R$0.9626 and Units - R$96.2615, net of taxes.
(7) Established by the Board of Directors in December 2010.
(8) The amounts for the Interest on Capital and Dividends were paid on February 25, 2011, without any additional amount for monetary correction.
(9) The amount for to the intermediate dividends and interest on capital are fully input into the mandatory dividends, recognized in income for the period ended December 31, 2010.

		2009		
	Thousands of Reais (5)	Reais per Thousand Shares / Units		
		Common	Preferred	Units
Interest on capital (1)	340,000	0.9974	1.0972	n.a.
Interest on capital (2)	285,000	0.8361	0.9197	n.a.
Intermediate Dividends (3)	327,400	0.7839	0.8623	86.2271
Intercalary Dividends (3)	422,600	1.0118	1.1130	111.2999
Interest on capital (3)(4)	200,000	0.4789	0.5267	52.6738
Total in December 31, 2009	**1,575,000**			

(1) Established by Board of Directors in April 2009. Common shares - R$0.8478 and Preferred shares - R$0.9326, net of taxes.
(2) Established by Board of Directors in June 2009. Common shares - R$0.7107 and Preferred shares - R$0.7817, net of taxes.
(3) Established by Board of Directors in December 2009.
(4) Common shares - R$0.4070 and Preferred shares - R$0.4477, net of taxes, and Units R$44,7728.
(5) The amount for to the intermediate dividends, intercalary dividends and interest on capital are fully input into the mandatory dividends for the period ended December 31, 2009, which will be paid on February 22, 2010, without any additional amount for monetary correction.

c) Reserves

The reserves are allocated as follows after the deductions and statutory provisions, from the net income:

Legal reserve

In accordance with BR GAAP, 5% in transferred to the legal reserve, until it reaches 20% of the share capital. This reserve is designed to ensure the integrity of the capital and can only be used to offset losses or increase capital.

Capital reserve

The Bank´s capital reserve consists of: reserve of goodwill for the subscription of shares and other capital reserves, and can only be used to absorb losses that exceed retained earnings and profit reserves, redemption, repayment or purchase of shares of our treasury; incorporation of the capital, or payment of dividends to preferred shares in certain circumstances.

Reserve for equalization dividend

After the destination of dividends, the remaining balance if any, may, upon proposal of the Executive Board and approved by the Board of Directors, be destinated to constitute a reserve for equalization of dividends, which is limited to 50% of the Capital. This reserve aims to ensure funds for the payment of dividends, including the form of Interest on Capital, or any interim payment to maintain the flow of shareholders remuneration.

d) Global offering of shares

The Board of Directors' meeting held on September 18, 2009 approved the implementation of the public offering, which includes the issuance of 525,000,000 Units, each representing one of 55 common shares and 50 preferred shares, all registered shares, without par value, free and clear of any liens or encumbrances, consisting of the simultaneous initial public offering of Units in Brazil and Units abroad, included in the form of ADRs representing ADSs.

At the same meeting the listing of Banco Santander was approved and the trade of the Units in BM&FBovespa - Securities, Commodities and Futures Exchange (BM&FBovespa) level 2 Corporate Governance Practices.

The Global Offering was coordinated on a firm commitment of settlement. Under the Instruction 400/2003 of Brazilian Securities Commission (CVM), the total number of Units/ADSs initially offered in the Global Offering was increased in 6.85 %, i.e., which means 35,955,648 Units, in the form of ADSs, designed to meet a possible excess of demand over the Global Offering (Supplemental Option).

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

The other characteristics and terms set out in the Final Global Offering Prospect for the Initial Public Offering of Certificates of Deposit Shares (Units) Issuance of Banco Santander dated October 6, 2009, available at www.santander.com.br and the CVM website and its english version on Form F-1, available on the SEC website.

The ratification, by Bacen, of the Bank's capital increase due to the completion of the Global Offering and Supplemental Option occurred on October 14, 2009 and on October 29, 2009, respectively.

The results of the Global Offering were disclosed under the closing announcement published in issues of Valor Econômico on November 10, 2009.

e) Treasury shares

On February, 2009 the Bank acquired 25,395 thousands own shares for the amount R$1,948 thousand. The Extraordinary shareholders' Meeting held on August, 2009 decided the cancellation of shares of its own issuance held in treasury, without reducing capital, through the absorption of R$1,948 thousand of the Capital Reserves account.

On November 9, 2010, the Board of Directors approved the Buyback Units Program issued by Banco Santander allowed purchase up to 1,452,282 Units, representing 79,875,510 common shares and 72,614,100 preferred shares, valid until November 9, 2011. However, in the meeting of Board Directors on August 24, 2011, the Buyback Program was canceled and a new Buyback Units Program issued by the Bank was approved, for held in treasury or subsequent sale valid up to August 24, 2012.

The new Buyback Program aims to: (1) maximize value creations for shareholders through efficient management of capital structure and (2) enable the management of risk arising from the provision , by the Bank, of market maker services in Brazil for certain index funds, where the Units are included in the index theoretical portfolio of reference of such funds, according to the rules. Part of repurchased Units will be used by the Bank for protection ("hedge") against the price fluctuation of securities comprising the benchmark index, and should be bought and sold in accordance with the policy of the Bank's risk management.

The Buyback Program will cover the procurement of over to 57,006,302 Units, representing 3,135,346,633 common shares and 2,850,315,121 preferred shares, or ADRs (American Depositary Receipts) by the Bank, or by its Cayman branch.

Still in November 9, 2010, the BMF&Bovespa has authorized the purchase of ADRs by Santander Madrid or its affiliates until 3% of the total shares issued by the Bank. Therefore, adding the number of Units/ADRs that may be acquired by the Company and Santander Madrid and its affiliates, that on July 31, 2011 was 18.63%, and shares outstanding could be reduced until 14.13%. This authorization does not imply in losses to the obligation assumed by Santander to reach a free float of 25% until October 7, 2012 (extendable under certain conditions until October 7, 2014), provided in the Contract for Adoption of Corporate Governance Practices Level 2 signed with BMF&Bovespa.

Until December 31, 2011, was acquired and held in treasury 5,380,800 Units, amounting to R$79,547 thousand. The minimum, weighted average and maximum cost per Unit is, respectively, R$14.10, R$14.78 and R$16.06. The Bank also acquired and held in treasury 1,732,900 ADRs, amounting to R$33,221 thousand. The minimum cost, weighted average and maximum price per ADR is US$10.21 . The market value of these shares on December 31, 2011 was R$14,96 per Unit and US$8.14 per ADR.

Additionally, during the period of 12 months ended in December 31, 2011, treasury shares were traded, refer to the services of a market maker that resulted in a gain of R$13, recorded directly in equity in capital reserves.

f) Strategic Partner of Santander Conglomerate in Brazil and Latin America

On October 28, 2010 Santander Spain and Qatar Holding Luxembourg S.à rl II (QHL) signed a contract in terms of the Acquisition of convertible bonds, regarding the subscription and payment by QHL the amount of US$ 2,718.8 million in bonds issued by Banco Santander Spain. These securities are mandatorily exchangeable for shares of Banco Santander and amount to 5.00024% of its capital. These shares are paid an interest rate of 6.75% pa in dollars and mature by October 29, 2013.

This investment reflects the inclusion of QHL as a strategic partner of Group Santander Spain in Brazil and in the remaining of Latin America. This operation allows Banco Santander to advance in its commitment of 25% of capital free float . On December 31, 2011, except for convertible bonds, the QHL does not own, directly or indirectly, any shares, warrants, subscription rights or options over the share capital of Banco Santander.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

28. Operational Ratios

Financial institutions are required to maintain regulatory capital consistent with their activities, higher to the minimum of 11% of required capital. In July 2008 new regulatory capital measurement rules, under the Basel II Standardized Approach, went into effect, including a new methodology for credit risks and operational risks measurement, analysis and management. This ratio must be calculated on a consolidated basis, as shown below:

	Financial Consolidated (1)		
Thousands of Reais	**2011**	**2010**	**2009**
Adjusted Tier I Regulatory Capital (2)	48,327,406	44,883,986	42,352,612
Tier II Regulatory Capital	6,642,092	7,433,493	9,972,644
Adjusted Regulatory Capital (Tier I and II) (2)	**54,969,498**	**52,317,479**	**52,325,256**
Required Regulatory Capital	**30,431,245**	**26,019,647**	**22,483,494**
Adjusted Portion of Credit Risk (2) (3)	26,952,908	23,480,589	20,607,792
Market Risk Portions (4)	1,757,599	1,077,100	844,882
Operational Risk Portion	1,720,738	1,461,958	1,030,820
Basel II Ratio	**19.9%**	**22.1%**	**25.6%**

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

(2) Disregards the effect of goodwill on the merger of the shares of Banco Real and AA Dois Par, as determined by the international rule.

(3) For the portfolio of individuals, the Central Bank Letter 3.515 of December 3,2010, introduced the risk weighting of 150% for lending operations over 24 months, allowing some exceptions given the type of operation, maturity and guarantees related. However, in November 11, 2011, the Central Bank annulled the Letter 3.515 and published Letter 3.563 which requires the application of the 150% funding for the financial operations of vehicles, reduces the risk weight for credit contracted consigned up to July 2011 from 150% to 75% or 100% and raises the risk weighting of 300% of the payroll loans and personal loans with no specific purpose with a term over 60 months, contracted as of November 14, 2011.

(4) Includes portions for market risk exposures subject to variations in rates of foreign currency coupons (PJUR2), price indexes (PJUR3) and interest rate (PJUR1/PJUR4), the price of commodities (PCOM), the price of shares classified as trading portfolios (PACS), and portions for gold exposure and foreign currency transactions subject to foreign exchange (PCAM).

Banco Santander, according to Bacen Circular 3,477/2009, will publish information relating to risk management and Regulatory Capital (PRE). A report with further details of the structure and methodology will be disclosed in the legal deadline, at the website www.santander.com.br\ri.

Financial institutions are required to maintain investments in permanent assets compatible with adjusted regulatory capital. Funds invested in permanent assets, calculated on a consolidated basis, are limited to 50% of regulatory capital, as per prevailing regulation. On December 31, 2011, 2010 and 2009, Banco Santander classifies for said index.

29. Interest and similar income

“Interest and similar income” in the consolidated income statement comprises the interest accruing in the year on all financial assets with an implicit or explicit return, calculated by applying the effective interest method, irrespective of measurement at fair value; and the rectifications of income as a result of hedge accounting. Interest is recognized gross, without deducting any tax withheld at source.

The breakdown of the main interest and similar income items earned in 2011, 2010 and 2009 is as follows:

Thousands of Reais	**2011**	**2010**	**2009**
Cash and balances with the Brazilian Central Bank	6,297,438	3,589,924	1,666,931
Loans and amounts due from credit institutions	1,219,218	1,397,840	2,901,054
Loans and advances to customers	35,397,614	29,290,024	29,469,976
Debt instruments	8,084,155	6,442,288	5,201,840
Pension plans (Note 22.b)	55,103	-	-
Other interest	682,552	189,128	103,155
Total	**51,736,080**	**40,909,204**	**39,342,956**

30. Interest expense and similar charges

“Interest expense and similar charges” in the consolidated income statement includes the interest accruing in the year on all financial liabilities with an implicit or explicit return, including remuneration in kind, calculated by applying the effective interest method, irrespective of measurement at fair value; the rectifications of cost as a result of hedge accounting; and the interest cost attributable to pension funds.

The breakdown of the main items of interest expense and similar charges accrued in 2011, 2010 and 2009 is as follows:

Thousands of Reais	**2011**	**2010**	**2009**
Deposits from the Brazilian Central Bank	-	-	29,340
Deposits from credit institutions	2,006,136	1,146,688	1,179,130
Customer deposits	16,494,482	12,773,546	13,164,015
Marketable debt securities and subordinated liabilities:			
Marketable debt securities (note 18)	3,226,644	1,212,962	1,047,750
Subordinated liabilities (note 19)	1,213,239	999,423	1,076,557
Pensions (note 22.b)	145,181	156,419	100,567
Other interest	748,634	525,088	578,506
Total	**23,834,316**	**16,814,126**	**17,175,865**

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

31. Income from equity instruments

"Income from equity instruments" includes the dividends and payments on equity instruments out of profits generated by investees after the acquisition of the equity interest.

The breakdown of the balance of this item is as follows:

Thousands of Reais	2011	2010	2009
Equity instruments classified as:			
Financial assets held for trading	5,187	9,762	6,714
Available-for-sale financial assets	88,540	41,959	23,189
Total	**93,727**	**51,721**	**29,903**

32. Fee and commission income

"Fee and commission income" comprises the amount of all fees and commissions accruing in favor of the Bank in the year, except those that form an integral part of the effective interest rate on financial instruments.

The breakdown of the balance of this item is as follows:

Thousands of Reais	2011	2010	2009
Collection and payment services:			
Bills	374,103	384,942	378,519
Demand accounts	1,624,466	1,600,182	1,570,356
Cards	1,940,239	1,322,444	1,056,791
Checks and other	606,142	597,102	800,784
Orders	223,354	233,100	251,790
Total	**4,768,304**	**4,137,770**	**4,058,241**
Marketing of non-banking financial products:			
Investment funds	1,189,527	1,108,586	851,766
Insurance	1,273,137	992,088	794,234
Capitalization	266,620	238,777	136,144
Total	**2,729,284**	**2,339,451**	**1,782,144**
Securities services:			
Securities underwriting and placement	272,714	374,368	252,236
Securities trading	101,104	136,916	148,244
Administration and custody	102,603	109,353	129,241
Asset management	2,963	2,932	1,960
Total	**479,384**	**623,569**	**531,681**
Other:			
Foreign exchange	351,768	310,311	314,720
Financial guarantees	232,688	248,127	219,549
Other fees and commissions	207,742	174,065	241,829
Total	**792,198**	**732,503**	**776,098**
Total	**8,769,170**	**7,833,293**	**7,148,164**

33. Fee and commission expense

"Fee and commission expense" shows the amount of all fees and commissions paid or payable by the Bank in the year, except those that form an integral part of the effective interest rate on financial instruments.

The breakdown of the balance of this item is as follows:

Thousands of Reais	2011	2010	2009
Fees and commissions assigned to third parties	1,015,786	660,802	485,182
Of which: Credit cards	834,412	463,391	349,874
Other fees and commissions (1)	413,886	336,983	425,220
Total	**1,429,672**	**997,785**	**910,402**

(1) Refers mainly to expenditure on services of the financial system.

34. Gains (losses) on financial assets and liabilities (net)

"Gains (losses) on financial assets and liabilities (net)" includes the amount of the valuation adjustments of financial instruments, except those attributable to interest accrued as a result of application of the effective interest method and to allowances, and the gains or losses obtained from the sale and purchase thereof.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

a) Breakdown

The breakdown of the balance of this item, by type of instrument, is as follows:

Thousands of Reais	2011	2010	2009
Held for trading (1)	(902,167)	1,159,058	2,032,272
Other financial instruments at fair value through profit or loss (2)	57,039	(26,828)	(10,132)
Financial instruments not measured at fair value through profit or loss	705,279	254,162	755,916
Of which: Available-for-sale financial assets			
Debt instruments	452,972	31,397	122,886
Equity instruments	256,694	204,592	559,080
Hedging derivatives and other	26,190	71,758	(61,733)
Total	**(113,659)**	**1,458,150**	**2,716,323**

(1) Includes the economic hedge of the Bank's position in Cayman, which is a non-autonomous subsidiary. See note 23 for the income tax impact of such hedge.
(2) Includes the net gain arising from transactions involving debt securities, equity instruments and derivatives included in this portfolio, since the Bank manages its risk in these instruments on a global basis.

b) Financial assets and liabilities at fair value through profit or loss

The detail of the amount of the asset balances is as follows:

Thousands of Reais	2011	2010	2009
Loans and amounts due from credit institutions	60,813	339,696	1,974,435
Loans and advances to customers	-	-	389,113
Debt instruments	25,528,841	16,696,801	12,765,008
Equity instruments	822,728	20,707,290	16,331,550
Derivatives	4,154,482	5,017,359	4,950,006
Total	**30,566,864**	**42,761,146**	**36,410,112**

The detail of the amount of the liability balances is as follows:

Thousands of Reais	2011	2010	2009
Deposits from credit institutions	-	-	1,795
Trading derivatives	4,709,660	4,755,314	4,401,709
Short positions	337,628	29,339	33,025
Total	**5,047,288**	**4,784,653**	**4,436,529**

35. Exchange differences (net)

“Exchange differences (net)” shows basically the gains or losses on currency dealings, the differences that arise on translations of monetary items in foreign currencies to the functional currency, and those disclosed on non-monetary assets in foreign currency at the time of their disposal.

36. Other operating income (expense)

The breakdown of "Other operating income (expense)" is as follows:

Thousands of Reais	2011	2010	2009
Profit from insurance contracts	**432,135**	**311,835**	**232,976**
Of which:			
Income from insurance contracts	4,132,663	6,830,524	3,591,713
Expense from insurance contracts	(3,700,528)	(6,518,689)	(3,358,737)
Other operating income	539,737	148,337	189,067
Other operating expense	(1,167,571)	(642,970)	(355,776)
Contributions to fund guarantee of credit - FGC	(183,719)	(165,201)	(181,891)
Total	**(379,418)**	**(347,999)**	**(115,624)**

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

37. Personnel expenses

a) Breakdown

The breakdown of "Personnel expenses" is as follows:

Thousands of Reais	2011	2010	2009
Wages and salaries	4,191,813	3,731,340	3,363,877
Social security costs	1,091,585	993,971	971,245
Benefits	865,517	791,361	749,366
Defined benefit pension plans (note 22.b)	19,460	16,212	36,534
Contributions to defined contribution pension plans	55,425	49,641	49,976
Share-based payment costs	95,689	90,461	19,990
Training	115,725	92,974	88,084
Other personnel expenses	208,517	160,216	231,900
Total	**6,643,731**	**5,926,176**	**5,510,972**

b) Share-Based Compensation

Banco Santander has two long-term compensation plans linked to the market price of the shares – the Global Program and the Local Program. The members of the Executive Board and other key employees of Banco Santander are eligible for these plans, besides the members selected by the Board of Directors and informed to the Human Resources, which selection may fall according to the seniority of the group. For the Board of Directors members in order to be eligible, it is necessary to exercise Executive Board functions.

b.1) Local Program

The Extraordinary Shareholders' Meeting of Banco Santander held on February 3, 2010 approved the Share-Based Compensation Program - Units of Banco Santander (Local Plan), consisting of two independent plans: Stock Option Plan for Share Deposit Certificates - Units (SOP) and Long-Term Incentive Plan - Investment in Share Deposit Certificates - Units (PSP).

On 25 October 2011, Banco Santander held an Extraordinary General Meeting, which approved the grant of the Incentive Plan Long Term (SOP 2014) - Investment in Certificates of Deposit Shares ("Units") to certain directors and Managerial level employees of the Company and companies under its control.

The characteristic of each plan are:

SOP Plan: It is a three-year Stock Option Plan by which new shares of the Banco Santander are issued, as a manner of retaining the officers' commitment to long-term results. The period for exercising the options starts on June 30, 2012 and is two years longer than the vesting period. The volume equivalent to 1/3 of the Units resulting from the exercise of options cannot be sold by the participant during a period of one year from the exercise date.

Long-Term Incentive Plan - SOP 2014: It is a three-year Stock Option Plan. The period for exercise begins on June 30, 2014 until June 30, 2016. The number of Units exercisable by the participants will be determined according to the result of the determination of a performance parameter of the Company: total Shareholder Return (TSR) and may be reduced if failure to achieve the goals of reducing the Return on Risk Adjusted Capital (RORAC), comparison between realized and budgeted in each year, as determined by the Board of Directors. Additionally, it is necessary that the participant remains in the Company during the term of the Plan to acquire a position to exercise the corresponding Units.

PSP Plan: It is a compensation plan based on shares settled in cash, launched in three-year cycles, retaining the executives' commitment to long-term results. The minimum amount, corresponding to 50% of the compensation settled in cash, should be used by the participant to acquire Units, which cannot be sold during a period of 1 year from the exercise date.

b.1.1) Fair Value and Plans Performance Parameters

For accounting of the Local Program plans, an independent consultant promoted simulations based on Monte Carlo methodology's, as presented the performance parameters used to calculate the shares to be granted. Such parameters are associated with their respective probabilities of occurrence, which are updated at the close of each period.

Total Shareholder Return (TSR) rank	SOP, PI12 - PSP and PI13 - PSP Plans (1)	SOP 2014 (2)
	% of Exercisable Shares	
1st	50%	100%
2nd	35%	75%
3th	25%	50%
4th	0%	25%

(1) Associated with the TSR, the remaining 50% of the shares subject to exercise refer to the realization of net income vs. budgeted profit.

(2) The percentage of shares determined at the position of TSR is subject to a penalty according to the implementation of the Return on Risk Adjusted Capital (RORAC).

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

For measurement of the fair value the following premises was used:

	PI13 - PSP	PI12 - PSP
Method of Assessment	Binomial	Binomial
Volatility	57.37%	57.37%
Probability of Occurrence	37.58%	60.93%
Risk-Free Rate	10.50%	11.18%

	SOP 2014	SOP plan
Method of Assessment	Black&Scholes	Binomial
Volatility	40.00%	57.37%
Rate of Dividends	3.00%	5.43%
Vesting Period	2 years	2,72 years
Average Exercise Time	5 years	3,72 years
Risk-Free Rate	10.50%	11.18%
Probability of Occurrence	53.43%	60.93%
Fair Value of the Option Shares	R$5,81	R$7,19

The average value of shares SANB11 in the end of the year is R$14.96 (2010 - R$21.90).

On December 31, daily pro-rata expenses amounting R$13,153 (2010 - R$20,976), relating to the SOP plan and R$15,910 (2010 - R$6,525) relating to the PSP plan. Also recorded in the period a gain with the movement of the market value of the share of the PSP Plan in the amount of R$5.650 as "Gains (losses) on financial assets and liabilities (net) - Others".

The stock options of Plan SOP may dilute the basic earnings per share in the future. On December 31, 2011, these options were not included in the calculation of diluted earnings per share because they are anti-dilutive for the presented years.

	Number of Shares	Exercise Price in Reais	Concession Year	Employees	Date of Commencement of Exercise Period	Expiration Date of Exercise Period
Balance on December 31, 2009	-					
Granted SOP options	15,500,000	23.50	2010	Managers	02/03/10	06/30/14
Granted PSP options	1,471,475	-	2010	Managers	02/03/10	06/30/12
Cancelled SOP options	(2,877,141)	23.50	2010	Managers	02/03/10	06/30/14
Cancelled PSP options	(179,802)	-	2010	Managers	02/03/10	06/30/12
Final Balance on December 31, 2010	**13,914,532**					
Cancelled PI12 - PSP options	(106,718)	-	2010	Managers	2/3/2010	6/30/2012
Cancelled PI12 - SOP options	40,479	23.50	2010	Managers	2/3/2010	6/30/2014
Granted PI13 - PSP options	1,498,700	-	2011	Managers	2/3/2010	6/30/2013
Cancelled PI13 - PSP options	(130,493)	-	2011	Managers	2/3/2010	6/30/2013
Granted SOP 2014 options	14,450,000	14.31	2011	Managers	10/26/2011	12/31/2013
Final Balance on December 31, 2011	**29,666,500**					
SOP	12,663,338	-	2011	Managers	2/3/2010	6/30/2014
PI12 - PSP	1,184,955	-	2011	Managers	2/3/2010	6/30/2012
PI13 - PSP	1,368,207	-	2011	Managers	2/3/2010	6/30/2013
SOP 2014	14,450,000	-	2011	Managers	10/26/2011	12/31/2013
Total	**29,666,500**					

b.2) Global Program

Long-Term Incentive Policy

The meeting of the Board of Directors' of Santander Spain held on March 26, 2008, approved the long-term incentive policy intended for the executives of Banco Santander Spain and the Santander Group companies (except Banco Español de Crédito, S.A. - Banesto). This policy provides for compensation tied to the performance of the stock of Santander Spain, as established in the Annual Stockholders' Meeting.

Among the plans of Banco Santander Spain, Conglomerate Santander's executives in Brazil already participate in the Stock Plan Tied to Goals: multiyear plan paid in shares of Banco Santander Spain. This plan's beneficiaries are the Executive Officers and other members of Top Management, as well as any other group of executives appointed by the Executive Board or the Executive Committee.

This plan involves three-years cycles for the delivery of shares to the beneficiaries, so that each cycle is started within a year, and starting 2009, ends in the following year. The purpose is to establish an appropriate sequence between the end of the incentive program, tied to the previous plan, I-06, and the successive cycles of this plan. Accordingly, the first two cycles started in July 2007, with the first cycle lasting two years (Plan I09) and the other cycles lasting three years, on average (Plan I10/Plan I11/Plan I12/Plan I13 and Plan I14).

Each of these parameters has a weight of 50% in the determination of the percentage of shares to be granted. The number of shares to be granted is determined in each cycle by the goal attainment level on the third anniversary of the start of each cycle (except the first cycle, for which the second anniversary will be considered).

From the plan PI12 the purpose determines the number of actions relate just one performance condition, which has 100% weight in the percentage of shares to be distributed: the TSR Group.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Global Plan Fair Value

It was assumed that the beneficiaries will not leave the Bank's employ during the term of each plan. The fair value of the 50% linked to the Bank's relative TSR position was calculated, on the grant date, on the basis of the report provided by external valuators whose assessment was carried out using a Monte Carlo valuation model, performing 10 thousand simulations to determine the TSR of each of the companies in the Benchmark Group, taking into account the variables set forth below. The results (each of which represents the delivery of a number of shares) are classified in decreasing order by calculating the weighted average and discounting the amount at the risk-free interest rate.

	PI10	PI11	PI12	PI13	PI14
Expected volatility (*)	15.67%	19.31%	42.36%	49.64%	51.35%
Annual dividend yield based on last few years	3.24%	3.47%	4.88%	6.33%	6.06%
Risk-free interest rate (Treasury Bond yield –zero coupon) over the period of the plan	4.50%	4.84%	2.04%	3.33%	4.07%

(*) calculated on the basis of historical volatility over the corresponding period (two or three years)

In view of the high correlation between TSR and EPS, it was considered feasible to extrapolate that (in a high percentage of cases) the TSR value is also valid for EPS. Therefore, it was initially determined that the fair value of the portion of the plans linked to the Bank's relative EPS position, i.e. of the remaining 50% of the options granted, was the same as that of the 50% corresponding to the TSR. Since this valuation refers to a non-market condition, it is reviewed and adjusted on a yearly basis.

	Number of Shares	Granted Year	Employees	Data of Commenceme nt of Exercise Period	Data of Expiry of Exercise Period
Final Balance on December 31, 2007	**7,996,687**				
Options Exercised (Plan I06)	(4,657,550)	-	Managers	01/15/08	01/15/09
Options Granted (Plan I11)	2,311,231	2008	Managers	06/21/08	07/31/11
Final Balance on December 31, 2008	**5,650,368**				
Options Cancelled (Plan I06)	(1,261,450)	-	Managers	01/15/08	01/15/09
Exercised Options (Plan I09)	(681,767)	2007	Managers	06/23/07	07/31/09
Cancelled Options (Plan I09)	(152,565)	2007	Managers	06/23/07	07/31/09
Options Granted (Plan I12)	455,008	2009	Managers	06/19/09	07/31/12
Final Balance on December 31, 2009	**4,009,594**				
Exercised Options (PI10)	(1,161,014)	2007	Managers	06/23/07	07/31/10
Cancelled Options (PI10)	(82,341)	2007	Managers	06/23/07	07/31/10
Granted Options (PI12)	86,198	2009	Managers	06/19/09	07/31/12
Granted Options (PI13)	597,811	2010	Managers	07/01/10	07/31/13
Final Balance on December 31, 2010	**3,450,248**				
Exercised Options (PI11)	(1,783,945)	2008	Managers	6/21/2008	7/31/2011
Cancelled Options (PI11)	(527,286)	2008	Managers	6/21/2008	7/31/2011
Granted Options (PI14)	531,684	2011	Managers	7/1/2011	7/31/2014
Final Balance on December 31, 2011	**1,670,701**				
Plan I12	541,206	2009	Managers	6/19/2009	7/31/2012
Plan I13	597,811	2010	Managers	7/1/2010	7/31/2013
Plan I14	531,684	2011	Managers	7/1/2011	7/31/2014
Total	**1,670,701**				

On 2011, pro-rata expenses were registered in the amount of R$10,147 thousand (2010 - R$14,393 thousand and 2009 - R$19,893 thousand), related to the costs of the cycles mentioned above, regarding the total amount of the Global Program Plans. In 2010, include the "pro rata" expenses for PI10, which had its last cycle closed in July, 2010. Expenses related to these plans are recognized in contrast to "Other liabilities - Provision for share-based payment" (note 24) because they are settled in cash.

Plans do not cause dilution of the share capital of the Bank, because they are paid in shares of Banco Santander Spain.

b.3) Share-Based Bonus

The Annual Shareholders' Meeting of Banco Santander Spain, held on June 11, 2010, approved the new policy for executive compensation through a share-based bonus plan effective for all the companies of the Group, including Santander Brasil. This new policy, subject to adjustments applicable to Santander Brasil, were approved by Appointment and Compensation Committee and Board of Directors at the meeting held on February 2, 2011.

The plan's objectives are: (i) to align the compensation program with the principles of the "Financial Stability Board" (FSB) agreed upon at the G20; (ii) to align Banco Santander's interests with those of the plan's participants (to achieve the sustainable and recurring growth and profitability of Banco Santander's businesses and to recognize the participants' contributions); (iii) to allow the retention of participants; and (iv) to improve Banco Santander's performance and defend the interests of shareholders via a long-term commitment.

The purpose of the plan is the cash payment of part of the variable compensation owed by Banco Santander to the plan's participants pursuant to the bank's compensation policy, based on the future performance of the bank's shares.

The payment of share-based bonus is within the limits of the overall management compensation approved by Banco Santander's Annual Shareholders' Meeting.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

The total number of shares on which the compensation plan is based will be settled in three installments and equally allocated to each of the three fiscal years following the reference year.

On December 31, 2011, was recorded daily pro-rata expenses amounting R$56,479 (2010 - R$48,544 thousand) referring to the provision for Share-Based Bonus and Gain was recorded with the oscillation of the market value of the share of the plan of R$14,287 as personnel expenses.

On December 21, 2011, the Board of Directors approved the proposed new incentive plan (deferred) for payment of the variable remuneration of directors and certain employees, which will be subject to resolution of the ordinary general meeting February 7, 2012.

This proposal are certain requirements for deferred payment of part of the future variable compensation due to its managers and other employees, given the financial basis for sustainable long-term adjustments in future payments due to the risks assumed and fluctuations in cost of capital.

The plan is divided into 3 programs:

• Supervised Collective - Participants of the Executive Committee and other executives who take significant risks in the Bank and responsible for the control areas. The deferral will be half in cash, indexed to 100% of CDI and half in shares.

• Collective unsupervised - Statutory Directors - not part of the Statutory Directors' Collective Supervised ", the amount deferred will be 100% in Units" SANB11".

• Unsupervised Collective - Employees - managerial employees and other employees of the organization that will be benefited from the deferral plan. The deferred amount will be 100% cash, indexed to 120% of CDI.

38. Other administrative expenses

a) Breakdown

The breakdown of the balance of this item is as follows:

Thousands of Reais	**2011**	**2010**	**2009**
Property, fixtures and supplies	1,087,222	965,633	1,043,498
Technology and systems	1,006,015	888,922	897,581
Advertising	493,630	421,643	497,246
Communications	566,083	554,713	612,904
Per diems and travel expenses	174,166	150,875	167,954
Taxes other than income tax	58,633	88,833	54,208
Surveillance and cash courier services	521,462	513,325	468,833
Insurance premiums	10,234	8,811	8,888
Specialized and technical services	1,563,545	1,504,306	1,448,984
Technical reports	*363,525*	*380,866*	*377,331*
Others specialized and technical services	*1,200,020*	*1,123,440*	*1,071,653*
Other administrative expenses	247,912	207,365	236,149
Total	**5,728,901**	**5,304,426**	**5,436,245**

b) Other information

The balance of “Technical reports” includes the fees paid by the consolidated companies (detailed in the accompanying Appendix I) to their respective auditors, the detail being as follows:

Thousands of Reais	**2011**	**2010**	**2009**
Audit of the annual financial statements and audit related services of the companies audited by Deloitte (constant scope of consolidation)	8,828	9,054	6,180
Audit of the annual financial statements audit related services of the companies audited by Deloitte (additions to scope of consolidation)	-	-	373

Additionally to the expenses with audit of the financial statements, the Bank had an fee paid to Deloitte in 2009 related to the audit of the Global Offering in the amount of R$8.8 million, after taxes and was recorded as transaction cost net of capital increase.

Services provided by others audit firms totaled R$5,4 million (2010 - R$15.0 million and 2009 - R$2.5 million).

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

39. Gains (losses) on disposal of assets not classified as non-current assets held for sale

The breakdown of the balance of this item is as follows:

Thousands of Reais	2011	2010	2009
Gains	**6,759**	**341**	**3,377,953**
On disposal of tangible assets	6,759	229	36,161
On disposal of investments [1]	-	112	3,341,792
Losses	**(1,439)**	**(59,527)**	**(8,652)**
On disposal of tangible assets	(1,439)	(260)	(8,652)
On disposal of investments	-	(59,267)	-
Total	**5,320**	**(59,186)**	**3,369,301**

(1) In 2009, the Bank made a disposal of investment of Companhia Brasileira de Meios de Pagamentos - (VisaNet), Tecban - Tecnologia Bancária S.A. and Companhia Brasileira de Soluções e Serviços - CBSS accounting a net gain of R$3,315 million.

40. Gains (losses) on non-current assets held for sale not classified as discontinued operations

It refers basically to the result on disposal of property received in the processes of recovery of loans to customers and the provision of the recoverable value of these assets. In 2011, includes R$424,292 thousand gain on sale of Santander Insurance (note 3.a). In 2010, includes R$106,827 thousand of gain on sale of office buildings, mainly related to the move to new headquarter (2009 - R$63,000 thousand).

41. Other disclosures

a) Guarantees and commitments

The Bank provides a variety of guarantees to its customers to improve their credit standing and allow them to compete. The following table summarizes at December 31, 2011, 2010 and 2009 all of the guarantees.

As required, the “maximum potential amount of future payments” represents the notional amounts that could be lost if there were a total default by the guaranteed parties, without consideration of possible recoveries from collateral held or pledged, or recoveries under recourse provisions. There is no relationship between these amounts and probable losses on these guarantees. In fact, maximum potential amount of future payments significantly exceeds inherent losses.

Thousands of Reais	2011	2010	2009
Maximum potential amount of future payments			
Contingent liabilities			
Guarantees and other sureties			
Financial guarantees	*17,818,624*	*18,117,260*	*17,379,109*
Performance guarantees	*910,655*	*907,676*	*695,099*
Financial standby letters of credit	*2,213,135*	*2,823,715*	*2,189,135*
Other	*929,378*	*273,759*	*243,406*
Other contingent exposures	700,160	440,702	460,621
Documentary Credits	*700,160*	*440,702*	*460,621*
Total Contingent Liabilities	**22,571,952**	**22,563,112**	**20,967,370**
Commitments			
Loan commitments drawable by third parties [1]	98,552,891	93,472,343	77,789,371
Total Commitments	**98,552,891**	**93,472,343**	**77,789,371**
Total	**121,124,843**	**116,035,455**	**98,756,741**

(1) Includes the approved limits and unused overdraft, credit card and others.

Financial guarantees are provided to our clients in obligations with third parties. We have the right to seek reimbursement from our clients for any amount we shall have to pay under such guarantee. Additionally, we may hold cash or other highly liquid collateral for these obligations. These agreements are subject to the same credit evaluation performed on the origination of loans.

We expect many of these guarantees to expire without the need to disburse any cash. Therefore, in the ordinary course of business, we expect that these transactions will have virtually no impact on our liquidity.

Performance guarantees are issued to guarantee customers obligations such as to make contractually specified investments, to supply specified products, commodities, or maintenance or warranty services to a third party, completion of projects in accordance with contract terms, etc. Financial standby letters of credit include guarantees of payment of loans, credit facilities, promissory notes and trade acceptances. The Bank always requires collateral to grant this kind of financial guarantees. In Documentary Credits, the Bank acts as a payment mediator between trading companies located in different countries (import-export transactions). Under a documentary credit transaction, the parties involved deal with the documents rather than the commodities to which the documents may relate. Usually the traded commodities are used as collateral to the transaction and the Bank may provide some credit facilities. Loan commitments drawable by third parties include mostly credit card lines and commercial commitments. Credit card lines are unconditionally cancelable by the issuer. Commercial commitments are mostly 1 year facilities subject to information requirements to be provided by our customers.

The risk criteria followed to issue all kinds of guarantees, financial standby letters of credit, documentary credits and any risks of signature are in general the same as those used for other products of credit risk, and therefore subject to the same admission and tracking standards. The guarantees granted on behalf of our customers are subject to the same credit quality review process as any other risk product. On a regular basis, at least once a year, the solvency of the mentioned customers is checked as well as the probability of those guarantees to be executed. In case that any doubt on the customer’s solvency may arise we create allowances with charge to net income, by the amount of the inherent losses even if there is no claim to us.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

The provision for losses on the non-recovery guarantees and other securities (Note 9.c) is recorded as "Impairment losses on financial assets (net)" on consolidated income statement and its calculation is described in note 2.h.

Additionally, the liability recognized as deferred revenue for the premium received for providing the above guarantees, which is being amortized into income over the life of the related guarantees is R$76,324 thousand (2010 - RR80,056 thousand and 2009 - R$65,041 thousand).

b) Off-balance-sheet funds under management

The detail of off-balance-sheet funds managed by the Bank is as follows:

Thousands of Reais	2011	2010	2009
Investment funds	104,877,454	102,516,308	95,324,100
Assets under management	8,144,334	8,822,049	3,083,043
Total	**113,021,788**	**111,338,357**	**98,407,143**

c) Third-party securities held in custody

At December 31, 2011, the Bank held in custody debt securities and equity instruments totaling R$122,198,361 thousand (2010 - R$194,063,773 thousand and 2009 - R$94,949,464 thousand) entrusted to it by third parties.

d) Residual maturity periods and Average interest rates

The breakdown, by maturity, of the balances of certain items in the consolidated balance sheets is as follows:

	December 31, 2011 Thousands of Reais							
	On Demand	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	After 5 Years	Total	Average Interest Rate
Assets:								
Cash and balances with the Brazilian Central Bank	48,330,086	10,073,723	7,534,194	-	-	-	65,938,003	11.3%
Debt instruments	-	6,498,289	5,795,261	25,972,025	12,507,634	18,118,048	68,891,257	11.0%
Equity instruments	2,130,575	-	-	-	-	-	2,130,575	
Loans and amounts due from credit institutions	5,731,172	2,309,372	2,199,399	1,189,022	1,919,282	6,341,427	19,689,674	9.7%
Loans and advances to customer, gross	10,113,580	44,546,345	59,788,958	52,036,749	19,390,744	8,308,061	194,184,437	23.7%
Total	**66,305,413**	**63,427,729**	**75,317,812**	**79,197,796**	**33,817,660**	**32,767,536**	**350,833,946**	**18.0%**
Liabilities:								
Financial liabilities at amortized cost:								
Deposits from credit institutions	618,585	29,430,719	12,555,672	6,923,632	1,043,065	955,348	51,527,021	9.2%
Customer deposits	37,035,145	40,490,745	19,044,846	56,390,445	15,123,854	6,388,857	174,473,891	9.6%
Marketable debt securities	-	3,389,679	16,130,779	15,781,068	3,204,393	84,505	38,590,423	8.8%
Subordinated liabilities	-	-	-	5,402,364	5,269,434	236,546	10,908,344	11.2%
Other financial liabilities	176,974	15,461,434	45,819	267,780	-	-	15,952,007	
Total	**37,830,704**	**88,772,577**	**47,777,115**	**84,765,289**	**24,640,746**	**7,665,256**	**291,451,687**	**9.5%**
Difference (assets less liabilities)	**28,474,709**	**(25,344,848)**	**27,540,696**	**(5,567,493)**	**9,176,914**	**25,102,280**	**59,382,259**	

	December 31, 2010 Thousands of Reais							
	On Demand	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	After 5 Years	Total	Average Interest Rate
Assets:								
Cash and balances with the Brazilian Central Bank	44,343,701	7,966,178	4,490,272	-	-	-	56,800,151	11.0%
Debt instruments	-	6,705,785	3,455,031	36,393,309	6,947,815	8,754,287	62,256,227	11.5%
Equity instruments	22,435,327	-	-	-	-	-	22,435,327	
Loans and amounts due from credit institutions	5,735,109	1,747,182	2,319,266	946,794	3,716,619	8,533,246	22,998,216	6.7%
Loans and advances to customer, gross	9,744,791	37,616,374	51,095,094	45,347,623	10,536,509	6,217,932	160,558,323	21.3%
Total	**82,258,928**	**54,035,519**	**61,359,663**	**82,687,726**	**21,200,943**	**23,505,465**	**325,048,244**	**15.1%**

Liabilities:								
Financial liabilities at amortized cost:								
Deposits from credit institutions	856,322	19,304,849	10,358,095	10,669,471	524,889	677,946	42,391,572	6.0%
Customer deposits	46,603,707	28,910,116	26,300,047	58,599,472	4,401,853	3,134,006	167,949,201	9.7%
Marketable debt securities	-	3,194,214	6,446,755	7,422,491	2,482,347	540,838	20,086,645	10.4%
Subordinated liabilities	-	-	-	3,010,208	1,902,811	4,782,086	9,695,105	10.9%
Other financial liabilities	2,432,612	10,608,134	20,440	157,062	-	-	13,218,248	
Total	**49,892,641**	**62,017,313**	**43,125,337**	**79,858,704**	**9,311,900**	**9,134,876**	**253,340,771**	**9.2%**
Difference (assets less liabilities)	**32,366,287**	**(7,981,794)**	**18,234,326**	**2,829,022**	**11,889,043**	**14,370,589**	**71,707,473**	

	December 31, 2009							
	Thousands of Reais							
	On Demand	**Up to 3 Months**	**3 to 12 Months**	**1 to 3 Years**	**3 to 5 Years**	**After 5 Years**	**Total**	**Average Interest Rate**
Assets:								
Cash and balances with the Brazilian Central Bank	12,169,277	6,828,836	8,270,899	-	-	-	27,269,012	8.9%
Debt instruments	-	14,279,921	1,784,616	13,049,117	20,751,920	7,645,358	57,510,932	10.8%
Equity instruments	17,991,746	-	-	-	-	-	17,991,746	
Loans and amounts due from credit institutions	3,246,260	8,375,243	4,313,669	1,308,300	2,477,758	6,481,348	26,202,578	9.2%
Loans and advances to customer, gross	6,716,360	25,651,927	41,119,405	47,045,584	12,505,072	5,356,055	138,394,403	23.8%
Total	**40,123,643**	**55,135,927**	**55,488,589**	**61,403,001**	**35,734,750**	**19,482,761**	**267,368,671**	**16.4%**
Liabilities:								
Financial liabilities at amortized cost:								
Deposits from credit institutions	189,858	5,237,243	7,437,307	7,486,135	742,446	104,765	21,197,754	8.5%
Customer deposits	40,358,100	33,634,930	30,639,047	40,770,381	4,032,168	5,530	149,440,156	8.8%
Marketable debt securities	-	3,242,520	4,882,803	936,678	1,532,956	844,053	11,439,010	7.9%
Subordinated liabilities	-	2,104	-	-	4,330,919	6,971,422	11,304,445	9.6%
Other financial liabilities	3,650,259	6,340,210	(33,470)	249,391	(18,226)	-	10,188,164	
Total	**44,198,217**	**48,457,007**	**42,925,687**	**49,442,585**	**10,620,263**	**7,925,770**	**203,569,529**	**8.8%**
Difference (assets less liabilities)	**(4,074,574)**	**6,678,920**	**12,562,902**	**11,960,416**	**25,114,487**	**11,556,991**	**63,799,142**	

e) Equivalent Reais value of assets and liabilities

The detail of the main foreign currency balances in the consolidated balance sheet, based on the nature of the related items, is as follows:

Equivalent Value in Thousands of Reais	**2011**		**2010**		**2009**	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Cash and balances with the Brazilian Central Bank	71,341	-	66,065	-	2,069,530	-
Financial assets/liabilities held for trading	1,441,332	1,370,402	1,127,863	1,050,380	1,981,386	1,048,742
Available-for-sale financial assets	701,636	-	1,057,000	-	713,042	-
Loans and receivables	22,060,787	-	21,437,906	-	15,092,956	-
Financial liabilities at amortized cost	-	27,087,602	-	22,926,205	-	17,469,224
Total	**24,275,096**	**28,458,004**	**23,688,834**	**23,976,585**	**19,856,914**	**18,517,966**

f) Fair value of financial assets and liabilities not measured at fair value

The financial assets owned by the Bank are measured at fair value in the accompanying consolidated balance sheet, except for loans and receivables.

Similarly, the Bank's financial liabilities except for financial liabilities held for trading and those measured at fair value - are measured at amortized cost in the consolidated balance sheet.

i) Financial assets measured at other than fair value

Following is a comparison of the carrying amounts of the Bank's financial assets measured at other than fair value and their respective fair values at year-end:

Thousands of Reais	**2011**		**2010**		**2009**	
Assets	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Loans and receivables:						
Loans and amounts due from credit institutions (note 5)	19,628,861	19,535,160	22,658,520	22,658,520	24,228,143	24,228,143
Loans and advances to customers (note 9)	183,066,268	183,202,428	151,366,561	151,536,439	127,934,811	128,065,076
Debt instruments (note 6)	62,062	58,043	81,444	87,208	-	-
Total	**202,757,191**	**202,795,631**	**174,106,525**	**174,282,167**	**152,162,954**	**152,293,219**

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

ii) Financial liabilities measured at other than fair value

Following is a comparison of the carrying amounts of the Bank's financial liabilities measured at other than fair value and their respective fair values at year-end:

Thousands of Reais	**2011**		**2010**		**2009**	
Liabilities	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial liabilities at amortized cost:						
Deposits from credit institutions (note 16)	51,527,021	51,524,429	42,391,572	42,391,572	21,195,959	21,195,959
Customer deposits (note 17) (*)	174,473,891	174,496,664	167,949,201	167,953,896	149,440,156	149,448,949
Marketable debt securities (note 18)	38,590,423	38,564,263	20,086,645	20,054,667	11,439,010	11,435,722
Subordinated liabilities (note 19)	10,908,344	10,908,344	9,695,105	9,695,105	11,304,445	11,304,445
Other financial liabilities (note 20)	15,952,007	15,952,007	13,218,248	13,218,248	10,188,164	10,188,164
Total	**291,451,686**	**291,445,707**	**253,340,771**	**253,313,488**	**203,567,734**	**203,573,239**

(*) For these purposes, the fair value of customer demand deposits, which are included within customer deposits, are taken to be the same as their carrying amount.

The methods and assumptions to estimate the fair value are defined below:

- Short-term investments - The short-term investments includes the interbank deposits and the repurchase agreements. The carrying amount is approximated to the fair value.

- Loans operations – Fair value are estimated for groups of loans with similar characteristics. The fair value was measured by discounting estimated cash flow using the interest rate of new contracts.

- Deposits – The fair value of deposits was calculated by discounting the difference between the cash flows on a contractual basis and current market rates for instruments with similar maturities. For variable-rate deposits, the carrying amount was considered to approximate fair value.

- Long-term loans – The fair value of long-term loans were estimated by cash flow discounted at the interest rate offered on the market with similar terms and maturities.

g) Other Obligations

The Bank rents properties, mainly used for branches, based on a standard contract which may be cancelled at its own criterion and includes the right to opt for renewals and adjustment clauses, classified as operating lease. Total future minimum payments of non-cancelable operating leases as of December 31, 2011 is R$2,019,005 thousand, of which R$602,554 thousand matures in up to 1 year, R$1,361,285 thousand from 1 year to up to 5 years and R$55,166 thousand after 5 years. Additionally, the Banco Santander has contracts for a matures indeterminate, totaling R$2,273 thousand monthly rent corresponding to the contracts with this feature. Payment of operating leases recognized as expenses for the period were R$633,342 thousand.

Monthly rental contracts will be adjusted on an annual basis, as per prevailing legislation, at *Índice Geral de Preços do Mercado* (IGPM) variation. The lessee is entitled to unilaterally rescind the agreement, at any time, without paying fines, encumbrances or penalties, through a written communication to the lesser upon 30 days prior notice, without prejudice to rent payment and charges due until then.

h) Obligation offset and settlement agreements

Obligation offset and settlement agreements - Resolution CMN 3.263/2005 – The Bank has an obligation offset and settlement agreement within the ambit of national financial institutions (SFN), entered into with individuals and legal entities which may or may not be members of SFN, resulting in improved assurance of financial settlement, with the parties with which it has this type of agreement. These agreements establish that payment obligations with the Bank, arising from loans and derivative transactions, in case of default of the counterparty, will be offset against payment obligations of the Bank with the counterparty.

i) Contingent assets

On December 31, 2011, 2010 and 2009 no contingent assets were accounted.

j) Statements of value added

The following Statements of value added is not required under IFRS but being presented as supplementary information as required by Brazilian Corporate Law for publicly-held companies, and has been derived from the Bank´s consolidated financial statements prepared in accordance with IFRS.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Thousands of Reais	2011		2010		2009	
Interest and similar income	51,736,080		40,909,204		39,342,956	
Net fee and commission income	7,339,498		6,835,508		6,237,762	
Impairment losses on financial assets (net)	(9,381,549)		(8,233,810)		(9,966,404)	
Other income and expense	(520,714)		1,578,772		2,579,411	
Interest expense and similar charges	(23,834,316)		(16,814,126)		(17,175,865)	
Third-party input	(7,771,693)		(6,605,215)		(5,969,602)	
Materials, energy and others	(540,634)		(500,280)		(650,747)	
Third-party services	(4,150,734)		(3,882,909)		(3,925,548)	
Impairment of assets	(38,646)		(20,600)		(900,554)	
Other	(3,041,679)		(2,201,426)		(492,753)	
Gross added value	**17,567,306**		**17,670,333**		**15,048,258**	
Retention						
Depreciation and amortization	(1,462,034)		(1,237,410)		(1,248,612)	
Added value produced	**16,105,272**		**16,432,923**		**13,799,646**	
Added value received from transfer						
Investments in affiliates and subsidiaries	54,216		43,942		295,414	
Added value to distribute	**16,159,488**		**16,476,865**		**14,095,060**	
Added value distribution						
Employee	5,834,177	36.1%	5,176,648	31.4%	4,874,983	34.6%
Compensation	4,277,355		3,807,408		3,365,593	
Benefits	950,549		871,607		854,150	
Government severance indemnity funds for employees - FGTS	319,941		285,373		246,238	
Other	286,332		212,260		409,002	
Taxes	2,022,870	12.5%	3,452,290	21.0%	3,319,362	23.5%
Federal	1,971,489		3,402,502		3,294,845	
State	877		410		453	
Municipal	50,504		49,378		24,064	
Compensation of third-party capital - rental	546,588	3.4%	465,353	2.8%	392,751	2.8%
Remuneration of interest on capital	7,755,853	48.0%	7,382,574	44.8%	5,507,964	39.1%
Dividends and interest on capital	2,901,160		3,540,000		1,575,000	
Profit Reinvestment	4,846,765		3,842,093		3,932,606	
Profit (loss) attributable to non-controlling interests	7,928		481		358	
Total	**16,159,488**	**100.0%**	**16,476,865**	**100.0%**	**14,095,060**	**100.0%**

42. Operating segments

In accordance with IFRS 8, an operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available.

Following such guidance, the Bank has identified the following business segments as its operating segments:

• Commercial Banking,

• Global Wholesale Banking,

• Asset Management and Insurance.

The Bank operates in Brazil and abroad, through the Cayman branch, with Brazilian clients and therefore has no geographical segments.

The Commercial Banking segment encompasses the entire commercial banking business (except for the Corporate Banking business managed globally using the Global Relationship Model). The Asset Management and Insurance segment includes the contribution to the Bank arising from the design and management of the investment fund, pension and insurance businesses of the various units. The Global Wholesale Banking segment reflects the returns on the Global Corporate Banking business, those on Investment Banking and Markets worldwide, including all the globally managed treasury departments and the equities business.

The condensed income statements and other significant data are as follows:

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Thousands of Reais	2011			
(Condensed) Income Statement	Commercial Banking [2]	Global Wholesale Banking	Asset Management and Insurance	Total
NET INTEREST INCOME	**24,971,366**	**2,589,070**	**341,328**	**27,901,764**
Income from equity instruments	93,727	-	-	93,727
Income from companies accounted for by the equity method	54,216	-	-	54,216
Net fee and commission income	6,191,891	796,350	351,257	7,339,498
Gains (losses) on financial assets and liabilities (net) and Exchange differences (net) [1]	(753,198)	513,041	5,134	(235,023)
Other operating income (expense)	(695,387)	(29,304)	345,273	(379,418)
TOTAL INCOME	**29,862,615**	**3,869,157**	**1,042,992**	**34,774,764**
Personnel expenses	(6,031,433)	(525,525)	(86,773)	(6,643,731)
Other administrative expenses	(5,431,219)	(242,032)	(55,650)	(5,728,901)
Depreciation and amortization	(1,331,287)	(105,780)	(24,967)	(1,462,034)
Provisions (net)	(3,024,150)	2,866	(40,179)	(3,061,463)
Impairment losses on financial assets (net)	(9,334,483)	(47,066)	-	(9,381,549)
Impairment losses on non-financial assets (net)	(33,743)	(4,707)	(196)	(38,646)
Other non-financial gains (losses)	452,096	-	-	452,096
OPERATING PROFIT BEFORE TAX [1]	**5,128,396**	**2,946,913**	**835,227**	**8,910,536**
Other:				
Total assets	345,579,236	51,045,367	3,261,479	399,886,082
Loans and advances to customers	148,372,380	34,653,359	40,529	183,066,268
Customer deposits	150,404,639	22,471,578	1,597,674	174,473,891

Thousands of Reais	2010			
(Condensed) Income Statement	Commercial Banking	Global Wholesale Banking	Asset Management and Insurance	Total
NET INTEREST INCOME	**21,301,329**	**2,501,318**	**292,431**	**24,095,078**
Income from equity instruments	51,721	-	-	51,721
Income from companies accounted for by the equity method	43,942	-	-	43,942
Net fee and commission income	5,529,572	891,897	414,039	6,835,508
Gains (losses) on financial assets and liabilities (net) and Exchange differences (net) [1]	1,550,319	244,408	80,323	1,875,050
Other operating income (expense)	(596,271)	(29,992)	278,264	(347,999)
TOTAL INCOME	**27,880,612**	**3,607,631**	**1,065,057**	**32,553,300**
Personnel expenses	(5,354,100)	(512,097)	(59,979)	(5,926,176)
Other administrative expenses	(5,003,189)	(215,499)	(85,738)	(5,304,426)
Depreciation and amortization	(1,129,919)	(57,718)	(49,773)	(1,237,410)
Provisions (net)	(1,940,727)	4,039	(37,638)	(1,974,326)
Impairment losses on financial assets (net)	(8,225,451)	(8,359)	-	(8,233,810)
Impairment losses on non-financial assets (net)	(20,601)	-	1	(20,600)
Other non-financial gains (losses)	139,951	-	-	139,951
OPERATING PROFIT BEFORE TAX [1]	**6,346,576**	**2,817,997**	**831,930**	**9,996,503**
Other:				
Total assets	308,973,195	40,139,949	25,549,539	374,662,683
Loans and advances to customers	121,175,888	30,149,793	40,880	151,366,561
Customer deposits	144,385,872	22,180,522	1,382,807	167,949,201

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Thousands of Reais	2009			
(Condensed) Income Statement	Commercial Banking	Global Wholesale Banking	Asset Management and Insurance	Total
NET INTEREST INCOME	**20,260,381**	**1,766,812**	**139,898**	**22,167,091**
Income from equity instruments	29,903	-	-	29,903
Income from companies accounted for by the equity method	295,414	-	-	295,414
Net fee and commission income	4,969,848	863,326	404,588	6,237,762
Gains (losses) on financial assets and liabilities (net) and Exchange differences (net) (1)	1,751,572	859,209	54,351	2,665,132
Other operating income (expense)	(280,861)	(22,540)	187,777	(115,624)
TOTAL INCOME	**27,026,257**	**3,466,807**	**786,614**	**31,279,678**
Personnel expenses	(4,971,773)	(474,295)	(64,904)	(5,510,972)
Other administrative expenses	(5,213,092)	(175,017)	(48,136)	(5,436,245)
Depreciation and amortization	(1,175,995)	(38,635)	(33,982)	(1,248,612)
Provisions (net)	(3,389,253)	(45,050)	(46,390)	(3,480,693)
Impairment losses on financial assets (net)	(9,883,382)	(83,022)	-	(9,966,404)
Impairment losses on non-financial assets (net)	(899,172)	-	(1,382)	(900,554)
Other non-financial gains (losses)	3,400,931	-	-	3,400,931
OPERATING PROFIT BEFORE TAX (1)	**4,894,521**	**2,650,788**	**591,820**	**8,137,129**
Other:				
Total assets	253,639,547	40,738,892	21,594,137	315,972,576
Loans and advances to customers	99,511,366	28,571,262	241,296	128,323,924
Customer deposits	124,296,966	23,872,581	1,270,609	149,440,156

(1) Includes in the Commercial Bank, the fiscal hedge of investment on Cayman branch (a strategy to mitigate the effects of fiscal and exchange rate changes on investments offshore over the net income), which result is recorded in "Gains/losses on financial assets and liabilities (net)" fully offset the tax line. The effects of the devaluation of the Real against the Dollar in 2011 generated losses of R$1,646,212 thousand. In 2010 were recorded gains of R$272,131 thousand and 2009 earnings of R$936,528 thousand.

(2) Institutional results, such as the gain on the sale of Santander Seguros in 2011, are allocated in the Commercial Banking segment.

To allow a better assessment of the operating segment, from 2010, the assets related to insurance activities are presented in the insurance segment and asset management. For purposes of comparison, in 2009 we made the reclassification of these assets, since they were assigned to other operating segments. The insurance assets were incorporated into the Bank in the third quarter of 2009 with the merger of shares of Santander Seguros.

Additionally, the Bank does not have any customers that individually accounted for 10% or greater of our interest and similar income for 2011, 2010 and 2009.

43. Related party transactions

The parties related to the Bank are deemed to include, in addition to its subsidiaries, associates and jointly controlled entities, the Bank's key management personnel and the entities over which the key management personnel may exercise significant influence or control.

Following is a detail of the ordinary business transactions performed by the Bank with its related parties on December 31, 2011, 2010 and 2009:

a) Key-person management compensation

At the meeting held on April 26, 2011, was approved the global compensation proposal of directors (Board of Directors and Executive Officers) for the year 2011, amounting to R$283,540 thousand, covering fixed remuneration, variable and equity-based and other benefits. Additionally, was approved the global compensation of the Audit Committee members for the period of 12 months from March 24, 2011, in the amount of up to R$3,960 thousand.

i) Long-term benefits

The Santander Brazil as well as Santander Spain, as other subsidiaries of Santander Group, have long-term compensation programs tied to its share's performance, based on the achievement of goals.

ii) Short-term benefits

The following table shows the Board of Directors', Executive Board's and Audit Committee compensation:

Thousands of Reais	2011	2010	2009
Fixed compensation	48,997	45,078	35,258
Variable compensation	162,154	133,649	118,240
Share based payments	18,067	29,083	3,250
Other	11,818	8,659	6,294
Total (1) (2)	**241,036**	**216,469**	**163,042**

(1) Refers to the amount paid by Banco Santander to its executives officers for the positions which they hold in the Bank and other companies of the conglomerate. And in 2011, includes the share incurred with the changes in administrative structure and governance in the completion of the Bank's integration process.

(2) In 2011, they were paid to the Directors of Santander Seguros and Santander Asset the amount of R$8,312 thousand (2010 - R$6,667 thousand).

Additionally, in 2011, charges were collected on key-person management compensation amounting R$22,768 thousand (2010 - R$23,547 thousand and 2009 - R$12,294 thousand).

iii) Contract termination

Employment contracts have an undefined period. The termination of the employment relationship for non-fulfillment of obligations or voluntarily does not entitle executives to any financial compensation.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

b) Lending operations

Under current law, it is not granted loans or advances involving:

I - officers, members of board of directors and audit committee as well as their spouses and relatives up to the 2nd degree;
II - individuals or legal entities of Banco Santander, which hold more than 10% of the share capital;
III - Legal entities which hold more than 10% of the share capital, Banco Santander and its subsidiaries;
IV - legal entities which hold more than 10% of the share capital, any of the directors or members of the Board of Directors and Audit Committee or management's own financial institution, as well as their spouses or relatives up to the second degree.

c) Ownership Interest

The table below shows the direct interest (common shares and preferred shares) as of December 31, 2011, 2010 and 2009:

	December 31, 2011					
Stockholders'	**Common Shares (thousands)**	**Common Shares (%)**	**Preferred Shares (thousands)**	**Preferred Shares (%)**	**Total Shares (thousands)**	**Total Shares (%)**
Grupo Empresarial Santander, S.L. (1)	72,876,994	34.2%	61,631,776	33.1%	134,508,770	33.7%
Sterrebeeck B.V. (1)	99,527,083	46.8%	86,492,330	46.5%	186,019,413	46.6%
Banco Santander, S.A. (1)	2,090,231	1.0%	1,900,210	1.0%	3,990,441	1.0%
Santander Insurance Holding (1)	206,664	0.1%	-	0.0%	206,664	0.1%
Employees	211,427	0.1%	193,458	0.1%	404,885	0.1%
Members of the Board of Directors	(*)	(*)	(*)	(*)	(*)	(*)
Members of the Executive Board	(*)	(*)	(*)	(*)	(*)	(*)
Other	37,929,333	17.8%	35,984,611	19.3%	73,913,944	18.5%
Total	**212,841,732**	**100.0%**	**186,202,385**	**100.0%**	**399,044,117**	**100.0%**

(1) Companies of the Santander Spain Group.
(*) None of the members of the Board of Directors and the Executive Board holds 1.0% or more of any class of shares.

	December 31, 2010					
Stockholders'	**Common Shares (thousands)**	**Common Shares (%)**	**Preferred Shares (thousands)**	**Preferred Shares (%)**	**Total Shares (thousands)**	**Total Shares (%)**
Grupo Empresarial Santander, S.L. (1)	74,967,225	35.2%	63,531,986	34.1%	138,499,211	34.7%
Sterrebeeck B.V. (1)	99,527,083	46.8%	86,492,330	46.5%	186,019,413	46.6%
Santander Insurance Holding (1)(2)	206,663	0.1%	-	0.0%	206,663	0.1%
Employees	240,934	0.1%	220,512	0.1%	461,446	0.1%
Members of the Board of Directors	(*)	(*)	(*)	(*)	(*)	(*)
Members of the Executive Board	(*)	(*)	(*)	(*)	(*)	(*)
Other	37,899,827	17.8%	35,957,557	19.3%	73,857,384	18.5%
Total	**212,841,732**	**100.0%**	**186,202,385**	**100.0%**	**399,044,117**	**100.0%**

(*) None of the members of the Board of Directors and the Executive Board holds 1.0% or more of any class of shares.
(1) Companies of the Santander Spain Group.
(2) On August, 2010, a F-1 filling took place at CVM and SEC, which reported on the intention of sale of equity interest held by Santander Insurance Holding, SL, in the form of ADRs, in the United States market. Therefore, 4,538,420,040 common shares and 4,125,836,400 preferred shares were converted to compose 82,516,728 Units/ADRs (equivalent to ownership position of 2.17% in Banco Santander). Between the months of August to December 2010, the equity position owned by SIH in the form of ADRs were totally alienated; 77,627,222 in the third quarter and 4,889,506 in the fourth quarter.

	December 31, 2009					
Stockholders'	**Common Shares (thousands)**	**Common Shares (%)**	**Preferred Shares (thousands)**	**Preferred Shares (%)**	**Total Shares (thousands)**	**Total Shares (%)**
Grupo Empresarial Santander, S.L. (1)	74,967,225	35.2%	63,531,986	34.1%	138,499,211	34.7%
Sterrebeeck B.V. (1)	99,527,083	46.8%	86,492,330	46.5%	186,019,413	46.6%
Santander Seguros S/A (2)	7,241	0.0%	9,525	0.0%	16,766	0.0%
Santander Insurance Holding (1)	4,745,084	2.2%	4,125,836	2.2%	8,870,920	2.2%
Employees	311,840	0.1%	284,366	0.2%	596,206	0.1%
Members of the Board of Directors	(*)	(*)	(*)	(*)	(*)	(*)
Members of the Executive Board	(*)	(*)	(*)	(*)	(*)	(*)
Other	33,283,259	15.7%	31,758,342	17.0%	65,041,601	16.4%
Total	**212,841,732**	**100.0%**	**186,202,385**	**100.0%**	**399,044,117**	**100.0%**

(*) None of the members of the Board of Directors and the Executive Board holds 1.0% or more of any class of shares.
(1) Companies of the Santander Spain Group.

(2) The Merger of Santander Seguros' shares, mentioned in note 3, led to mutual participation between Banco Santander and Santander Seguros. On May 26, 2010, the Santander Seguros sold the participation in Banco Santander corresponding to 16,767 thousand shares (7,241 thousand ordinary shares and 9,526 thousand preference shares) traded at BM&FBovespa, eliminating the mutual participation between Banco Santander and Santander Seguros.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Amendment to Form F-3 and sales of ADS by Santander Group

On November 14, 2011, Banco Santander filed the application for registration of an amendment number 2 to the Registration Statement on Form F-3, which is valid automatically, with the Securities and Exchange Commission (SEC), to allow the sale of ADS or Units of Banco Santander by the Santander Group companies or own Banco Santander. Additionally, in terms of a prospectus supplement filed on November 16, 2011, any one shareholder of Banco Santander SA (Santander Spain), Grupo Empresarial Santander SL (GES), and Banco Madesant - Sociedade Unipessoal S.A. (an affiliate company of the group) may offer for sale, periodically, to 310,832,288 ADS or Units of Banco Santander. The purpose of these documents is to have available for sale on a registered basis, by Banco Santander and certain companies belonging to Grupo Santander, about 8% of the share capital of Banco Santander. As reported by Banco Santander Spain, is the intention of Grupo Santander the record is used to: (i) allow greater flexibility to the Santander Group in relation to the fulfillment of its commitment to deliver about 5% of its shareholding in Banco Santander on the terms of the exchangeable securities issued; and (ii) comply with the commitment of Santander Spain to reach a free float of 25% in Banco Santander before October, 2012 (or subject to an agreement with BM&FBOVESPA, before October 2014), when market conditions are appropriate. No registration with the CVM public offering of securities in Brazil was requested. On 9 January, 2012 the GES transferred to Santander Spain ADRs representing approximately 5.18% of the capital of Santander Brasil, in an internal reorganization at the Santander Group, for the transfer of approximately 4.41% of the capital of Santander Brasil to a third party that will deliver the same share to investors in the exchangeable securities issued by Santander Spain in October 2010 when due and as provided in such securities. The exchangeable securities issued by Santander Spain has been the subject of a Material Fact dated October 29, 2010. As a result of these transfers Santander Spain, directly or indirectly, now holds 78.14% of voting capital and 76.97% of the total capital of Santander Brasil, and the free float rose to 22.75% of total capital.

d) Related-Party Transactions

Transactions among the entities of Banco Santander are carried out under usual market value, rates and terms, and under commutative condition.

Santander has the Policy on Related Party Transactions approved by the Board of Directors, which aim to ensure that all transactions are made on the policy typified in view the interests of Banco Santander and its shareholders. The policy defines powers to approve certain transactions by the Board of Directors. The rules laid down are also applied to all employees and directors of Banco Santander and its subsidiaries.

The operations and remuneration of services with related parties are made in the ordinary course of business and under reciprocal conditions, including interest rates, terms and guarantees, and involve no greater risk than the normal billing or have other disadvantages.

The principal transactions and balances are as follows:

Thousands of Reais		2011			2010	
	Parent (1)	Joint-controlled companies	Other Related-Party (2)	Parent (1)	Joint-controlled companies	Other Related-Party (2)
Assets						
Trading derivatives, net	**(25,639)**	**-**	**(442,496)**	**35,513**	**-**	**(125,147)**
Banco Santander, S.A. – Spain	(25,639)	-	-	35,513	-	-
Santander Benelux, S.A., N.V.	-	-	(308,821)	-	-	(118,521)
Abbey National Treasury Services Plc	-	-	(39,102)	-	-	(33,076)
Real Fundo de Investimento Multimercado Santillana Credito Privad	-	-	(94,573)	-	-	26,450
Loans and amounts due from credit institutionso - Cash and overnight operations in foreign currency	**227,724**	**-**	**1,097**	**4,245,332**	**-**	**729**
Banco Santander, S.A. – Spain (3)	227,724	-	-	4,245,332	-	-
Banco Santander Totta, S.A.	-	-	1,097	-	-	729
Loans and amounts due from credit institutions - Others	**95,539**	**822,928**	**266,568**	**16,922**	**269,667**	**279,535**
Banco Santander, S.A. – Spain	95,539	-	-	16,922	-	-
Santander Benelux, S.A., N.V.	-	-	262,818	-	-	258,261
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	822,606	-	-	263,559	-
Companhia de Arrendamento Mercantil RCI Brasil	-	322	-	-	6,108	-
Abbey National Treasury Services Plc	-	-	1,369	-	-	18,817
Santander Overseas Bank, Inc – Puerto Rico	-	-	2,381	-	-	2,457
Other Assets	**5,438**	**615**	**383,871**	**27,090**	**795**	**-**
Banco Santander, S.A. – Spain	5,438	-	-	27,090	-	-
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	615	-	-	529	-
Companhia de Arrendamento Mercantil RCI Brasil	-	-	-	-	266	-
Santander Seguros	-	-	326,637	-	-	-
Others	-	-	57,234	-	-	-

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

	2011			2010		
	Parent (1)	Joint-controlled companies	Other Related-Party (2)	Parent (1)	Joint-controlled companies	Other Related-Party (2)
Liabilities						
Deposits from credit institutions	**(1,200,207)**	**(15,213)**	**(171,371)**	**(2,167,452)**	**(76,340)**	**(1,940,158)**
Banco Santander, S.A. – Spain (4)	(1,200,207)	-	-	(2,167,452)	-	-
Grupo Banesto: Sociedades consolidables	-	-	(167,081)	-	-	(75,477)
Banco Madesant - Sociedade Unipessoal, S.A. (5)	-	-	-	-	-	(1,857,963)
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	(10,348)	-	-	(73,270)	-
Companhia de Arrendamento Mercantil RCI Brasil	-	(4,865)	-	-	(3,070)	-
Others	-	-	(4,290)	-	-	(6,718)
Customer deposits	**-**	**-**	**(422,753)**	**-**	**-**	**(375,869)**
ISBAN Brasil S.A.	-	-	(110,341)	-	-	(129,500)
Produban Serviços de Informática S.A.	-	-	(47,970)	-	-	(43,439)
Universia Brasil S.A.	-	-	(310)	-	-	(3,218)
Real Fundo de Investimento Multimercado Santillana Credito Privad	-	-	(223,367)	-	-	(198,236)
Fundo de Investimento Multimercado Menorca Crédito Privado	-	-	(31,062)	-	-	-
Others	-	-	(9,703)	-	-	(1,476)
Other Liabilities - Dividends and Bonuses Payable	**(908,004)**	**-**	**(3,615)**	**(1,703,847)**	**-**	**(1,037)**
Banco Santander, S.A. – Spain (4)	(7,772)	-	-	-	-	-
Grupo Empresarial Santander, S.L. (1)	(379,617)	-	-	(726,925)	-	-
Santander Insurance Holding, S.L.	-	-	(553)	-	-	(1,037)
Sterrebeeck B.V. (1)	(520,615)	-	-	(976,922)	-	-
Banco Madesant - Sociedade Unipessoal, S.A.	-	-	(3,062)	-	-	-
Other Payables	**(3,972)**	**-**	**(85,979)**	**(6,353)**	**-**	**(52,586)**
Banco Santander, S.A. – Spain	(3,972)	-	-	(6,353)	-	-
Santander Insurance Holding, S.L.	-	-	(9,257)	-	-	(52,358)
Santander Seguros	-	-	(74,772)	-	-	-
Others	-	-	(1,950)	-	-	(228)

Thousands of Reais	2009		
	Parent (1)	Joint-controlled companies	Other Related-Party (2)
Assets			
Trading derivatives, net	**35,331**	**-**	**(84,068)**
Banco Santander, S.A. – Spain	35,331	-	-
Santander Benelux, S.A., N.V.	-	-	(66,259)
Abbey National Treasury Services Plc	-	-	(24,028)
Others	-	-	6,219
Loans and amounts due from credit institutionso - Cash and overnight operations in foreign currency	**-**	**-**	**909**
Banco Santander Totta, S.A.	-	-	901
Others	-	-	8
Loans and amounts due from credit institutions - Others	**-**	**335,526**	**-**
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	297,772	-
Companhia de Arrendamento Mercantil RCI Brasil	-	37,754	-
Other Assets	**115**	**541**	**27**
Banco Santander, S.A. – Spain	115	-	-
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	323	-
Companhia de Arrendamento Mercantil RCI Brasil	-	218	-
Others	-	-	27
Liabilities			
Deposits from credit institutions	**(2,741,547)**	**(15,142)**	**(546,805)**
Banco Santander, S.A. – Spain (4)	(2,741,547)	-	-
Grupo Banesto: Sociedades consolidables	-	-	(157,283)
Abbey National Beta Investments Limited	-	-	(387,616)
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	(12,516)	-
Others	-	(2,626)	(1,906)
Customer deposits	**-**	**-**	**(455,733)**
ISBAN Brasil S.A.	-	-	(112,134)
Produban Serviços de Informática S.A.	-	-	(43,138)
Real Fundo de Investimento Multimercado Santillana Credito Privado	-	-	(192,139)
Fundo de Investimento Multimercado Menorca Crédito Privado	-	-	(106,506)
Others	-	-	(1,816)
Other Liabilities - Dividends and Bonuses Payable	**(1,310,097)**	**-**	**(81,701)**
Grupo Empresarial Santander, S.L. (1)	(570,414)	-	-
Santander Insurance Holding, S.L.	-	-	(81,701)
Sterrebeeck B.V. (1)	(739,683)	-	-
Other Payables	**(9,266)**	**-**	**(60,203)**
Banco Santander, S.A. – Spain	(9,266)	-	-
Santander Insurance Holding, S.L.	-	-	(59,922)
Others	-	-	(281)

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

(*) All loans and amounts to related parties were made in our ordinary course of business and on sustainable basis, including interest rates and collateral and did not involve more than the normal risk of collectability or present other unfavorable features.
(1) Banco Santander (Brasil) S.A. is indirectly controlled by Banco Santander Spain (note 1-a), through its subsidiary Grupo Empresarial Santander, S.L. and Sterrebeeck B.V.
(2) Refers to the Company's subsidiaries (Banco Santander, S.A .- Spain).
(3) In 2011, includes cash (2010 - R$315,203). In 2010, refers to overnight operations in foreign currency, amounting R$3,930,129 with interest of 0.22% p.a. and 2009 - R$ 993,768 thousand with interest of 0.07% p.a.
(4) In 2011, refers to fund raising operations through transfers abroad amounting R$1,200,207 thousand with maturity until January 2015 and interest between 0.39% and 5.82% p.a. In 2010, includes raising funds through operations overseas transfers totaling R$1,995,608 thousand with maturity date until January 2015 and interest between 0.25% and 7.89% p.a. (2009 - R$2,663,465 thousand with maturity until July 2014 and interest between 0.43% and 6.8% p.a.).
(5) In 2010, refers to raising funds through time deposits with maturity on February 28, 2011 and interest of R$1.76% p.a.

Thousands of Reais	2011			2010		
	Parent (1)	Joint-controlled companies	Other Related-Party (2)	Parent (1)	Joint-controlled companies	Other Related-Party (2)
Income						
Interest and similar income - Loans and amounts due from credit institutions	**5,046**	**50,771**	**267**	**2,384**	**39,395**	**1,029**
Banco Santander, S.A. – Spain	5,046	-	-	2,384	-	-
Abbey National Treasury Services Plc	-	-	14	-	-	1,029
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	50,771	-	-	38,545	-
Companhia de Arrendamento Mercantil RCI Brasil	-	-	-	-	850	-
Santander Benelux, S.A., N.V.	-	-	253	-	-	-
Interest expense and similar charges - Customer deposits	**-**	**-**	**(37,974)**	**-**	**-**	**(28,827)**
ISBAN Brasil S.A.	-	-	(10,551)	-	-	(9,359)
Produban Serviços de Informática S.A.	-	-	(3,841)	-	-	(2,736)
Real Fundo de Investimento Multimercado Santillana Credito Privad	-	-	(21,777)	-	-	(16,166)
Others	-	-	(1,805)	-	-	(566)
Interest expense and similar charges - Deposits from credit institutions	**(15,311)**	**(620)**	**(5,044)**	**(47,134)**	**(526)**	**(32,676)**
Banco Santander, S.A. – Spain	(15,311)	-	-	(47,134)	-	-
Abbey National Beta Investments Limited	-	-	-	-	-	(7,415)
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	(620)	-	-	(526)	-
Banco Madesant - Sociedade Unipessoal, S.A.	-	-	(5,013)	-	-	(25,143)
Others	-	-	(31)	-	-	(118)
Expense and similar charges - Marketable debt securities	**(1,789)**	**-**	**-**	**-**	**-**	**-**
Banco Santander, S.A. – Spain	(1,789)	-	-	-	-	-
Fee and commission income (expense)	**(14,820)**	**13,262**	**56,224**	**73,975**	**6,770**	**9,449**
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	10,118	-	-	6,327	-
Banco Santander, S.A. – Spain	(14,820)	-	-	73,975	-	-
Aviación Antares, A.I.E.	-	-	-	-	-	9,449
Aviación Centaurus, A.I.E.	-	-	11,928	-	-	-
Santander Seguros	-	-	35,785	-	-	-
Others	-	3,144	8,511	-	443	-
Gains (losses) on financial assets and liabilities (net) and exchange differences (net)	**(245,096)**	**6,522**	**(505,726)**	**(44,953)**	**-**	**(42,090)**
Banco Santander, S.A. – Spain	(245,096)	-	-	(44,953)	-	-
Santander Benelux, S.A., N.V.	-	-	(38,238)	-	-	32,489
Santander Overseas Bank, Inc – Puerto Rico	-	-	160	-	-	188
Fundo de Investimento Multimercado Santillana Cred. Privado	-	-	(342,975)	-	-	(86,572)
Abbey National Treasury Services Plc	-	-	(91,726)	-	-	14,763
Santander Investment Securities Inc.	-	-	(11,714)	-	-	-
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	6,522	-	-	-	-
Others	-	-	(21,233)	-	-	(2,958)
Administrative expenses and Amortization	**(152)**	**-**	**(256,681)**	**-**	**-**	**(226,127)**
ISBAN Brasil S.A.	-	-	(54,104)	-	-	(50,320)
Produban Serviços de Informática S.A.	-	-	(103,991)	-	-	(108,741)
ISBAN Chile S.A.	-	-	(4,814)	-	-	(5,491)
Aquanima Brasil Ltda.	-	-	(21,500)	-	-	(21,256)
Ingeniería de Software Bancario, S.L.	-	-	(32,209)	-	-	(19,722)
Produban Servicios Informaticos Generales, S.L.	-	-	(23,629)	-	-	(15,868)
Santander Seguros	-	-	(89)	-	-	-
Zurich Santander Insurance America, S.L.	-	-	(12,151)	-	-	-
Others	(152)	-	(4,194)	-	-	(4,729)
Gains (losses) on non-current assets held for sale not classified as discontinued operations	**-**	**-**	**424,292**	**-**	**-**	**-**
Zurich Santander Insurance America, S.L.	-	-	424,292	-	-	-

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Thousands of Reais	2009		
	Parent [1]	Joint-controlled companies	Other Related-Party [2]
Income			
Interest and similar income - Loans and amounts due from credit institutions	**2,463**	**40,034**	**2,487**
Banco Santander, S.A. – Spain	2,463	-	-
Abbey National Treasury Services Plc	-	-	2,487
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	33,674	-
Companhia de Arrendamento Mercantil RCI Brasil	-	6,360	-
Interest expense and similar charges - Customer deposits	**-**	**-**	**(39,482)**
ISBAN Brasil S.A.	-	-	(8,112)
Produban Serviços de Informática S.A.	-	-	(4,820)
Real Fundo de Investimento Multimercado Santillana Credito Privado	-		(7,922)
Fundo de Investimento Multimercado Menorca Crédito Privado	-	-	(11,940)
Cia Brasileira de Soluções e Serviços – CBSS	-	-	(5,051)
Others	-	-	(1,637)
Interest expense and similar charges - Deposits from credit institutions	**(240,448)**	**(7,630)**	**(12,156)**
Banco Santander, S.A. – Spain	(240,448)	-	-
Santander Overseas Bank, Inc – Puerto Rico	-	-	(9,062)
Abbey National Beta Investments Limited	-	-	(1,869)
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	(1,253)	-
Companhia de Arrendamento Mercantil RCI Brasil	-	(6,377)	-
Banco Madesant - Sociedade Unipessoal, S.A.	-	-	-
Others	-	-	(1,225)
Fee and commission income (expense)	**20,963**	**6,861**	**13,407**
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	6,134	-
Banco Santander, S.A. – Spain	20,963	-	-
Santander Capitalização	-	-	12,597
Others	-	727	810
Gains (losses) on financial assets and liabilities (net)	**51,758**	**2**	**(512,920)**
Banco Santander, S.A. – Spain	51,758	-	-
Santander Benelux, S.A., N.V.	-	-	(320,972)
Santander Overseas Bank, Inc – Puerto Rico	-	-	(6,001)
Fundo de Investimento Multimercado Menorca Crédito Privado	-	-	46,022
Fundo de Investimento Multimercado Santillana Cred. Privado	-	-	(182,833)
Abbey National Treasury Services Plc	-	-	(2,836)
Santander Investment Securities Inc.	-	-	(44,757)
Others	-	2	(1,543)
Administrative expenses and Amortization	**-**	**-**	**(211,796)**
ISBAN Brasil S.A.	-	-	(42,061)
Produban Serviços de Informática S.A.	-	-	(99,548)
Aquanima Brasil Ltda.	-	-	(22,239)
Ingeniería de Software Bancario, S.L.	-	-	(20,689)
Produban Servicios Informaticos Generales, S.L.	-	-	(15,318)
Others	-	-	(11,941)
Gains on disposal of assets not classified as non-current assets held for sale	**-**	**-**	**2,376,460**
Santusa Holding, S.L.	-	-	2,376,460

(1) Banco Santander (Brasil) S.A. is indirectly controlled by Banco Santander Spain (note 1-a), through its subsidiary Grupo Empresarial Santander, S.L. and Sterrebeeck B.V.
(2) Refers to the Company's subsidiaries (Banco Santander, S.A .- Spain).

44. Risk management

Risk management at the Santander Brazil follow that same principles that are set at the Group level:

• Independence of the risk function with respect to the business. The head of the Bank's Risk Division, reports directly to the executive committee and the board. The local risk unit keeps its independence with a direct report to the Corporate risk Unit.

• Commitment to supporting the business by contributing, without undermining the preceding principle, to the achievement of commercial objectives whilst safeguarding risk quality. To this end, the risk organizational structure is adapted to the commercial structure so as to encourage cooperation between business and risk managers.

• Collective decisions (even at branch level), which ensure that different opinions are taken into account and avoid decisions are taken individually.

• Well-established tradition of using internal rating and statistical tools to predict delinquency , internal rating, credit scoring and scoring Behavior, return on risk-adjusted capital (RORAC), value-at-risk (VaR), economic capital, extreme scenario analyses, etc.

• Global approach, achieved by addressing on an integrated basis all the risk factors in all the business units and geographical locations, and using the concept of economic capital as a consistent measure of the risk assumed and as the basis for assessing the management performed.

• Maintenance of a medium-low risk profile, and low volatility and its predictability, by:

- seeking to achieve a high degree of risk diversification, thus limiting risk concentration on particular customers, groups, sectors, products or geographical locations;

- maintaining a low level of complexity in Markets operations;

- paying ongoing attention to risk monitoring in order to prevent potential portfolio impairment sufficiently in advance.

At Bank, the risk management and control process has been structured using as reference the framework defined at corporate level and described according to the following phases:

• Adaptation of corporate management frameworks and policies that reflect Group Santander's risk management principles.

The Bank adopts a series of risk policies and procedures that constitute its regulatory framework, which, taking the form of circulars, policies and operating rules, regulates the risk activities and processes.

Within this regulatory framework, the Corporate Risk Management Framework, approved by Senior Management (Risks), regulates the principles and standards governing the Santander Brazil´s risk activities, based on the corporate organizational and a management models.

The organizational model comprises the management map, the risk function and governance, and the regulatory framework itself. The management model contains the basic pillars for risk management, the channels for the planning and setting of targets, the budgeting and risk limit setting process, the control of operations, the framework for risk reporting to senior management and the technological reference model for risk management.

• Identification of risks, through the constant review and monitoring of exposures, the assessment of new products and businesses and the specific analysis of singular transactions;

• Measurement of risks using periodically tested methods and models;

• Preparation and distribution of a complete set of reports that are reviewed daily by the heads at all levels of Santander management.

Implementation of a risk control system which checks, on a daily basis, the degree to which Bank´s risk profile matches the risk policies approved and the risk limits set. The most noteworthy corporate tools and techniques (abovementioned) already in use in Santander Bank are in different stages of maturity regarding the level of implementation and use in Bank. For wholesale segment, these techniques are quite in line with the corporate level development. For local segments, internal ratings and scorings based models, VaR and market risk scenario analysis and stress testing have been already embbebed in risk management routine while Expected loss, Economic Capital and RORAC have been integrated in risk management.

• Internal ratings- and scorings-based models which, by assessing the various qualitative and quantitative risk components by customer and transaction, make it possible to estimate, firstly, the probability of default and, subsequently, the expected loss, based on LGD estimates.

• Economic capital, as a homogeneous measure of the risk assumed and a basis for the measurement of the management performed.

• RORAC, which is used both as a transaction pricing tool in the whole sale segment, more precisely in global ranking and markets(bottom-up approach) and in the analysis of portfolios and units (top-down approach).

• VaR, which is used for controlling and setting the market risk limits for the various treasury portfolios.

• Scenario analysis and stress testing to supplement market and credit risk analyses in order to assess the impact of alternative scenarios, even on provisions and capital.

The Bank intends to use the internal Models for the calculation of regulatory capital (regulatory) and for this has agreed a timetable with the local supervisor. The Bank has defined a Basel2 governance structure and has assigned for this purpose, the necessary human and technology resources to meet the stringent requirements established by the regulators.

a) Corporate Governance of the Risk Function

The risk committee framework of Santander Brazil is set based on corporate risk standards and are structured by type of business and risk segment.

Brazil Executive Risk Committee (Comitê Executivo de Riscos Brasil) has their level of approvals delegated by the Risk Committee of Banco Santander in Spain and has the following responsibilities:

- Integrate and adapt the risk functions in Santander, the strategy, the arrangements for the risk tolerance level, accordingly to existing corporate standards.

- Approve proposals and operations and limits customers and portfolios.

- Set references on general themes related to Market Risk, Country Risk, wholesale segment customers (including a global relationship) and retail themes (Credit Management Programs).

- Keep informed, evaluate and follow any comments and recommendations that may be made periodically by supervisors in discharging its functions;

- Ensure that the performance of Santander is consistent with the level of risk tolerance, previously approved by the Executive Committee and Council, and aligned with the policies of the Santander Group;

- Authorize the use of management tools and models of local risks and know the result of its internal validity.

The risk function at Bank is performed through an Executive Risk Unit, which is independent from the business areas from both a hierarchical and a functional standpoint, and reports directly to the President of Santander and the Director of Corporate Risk Group Santander.

More details of the structure, methodology and control system related to risk management is described in the report, available on the site www.santander.com.br.

b) Credit Risk

b.1) Introduction to the treatment of credit risk

The Bank develops Credit Risk Management policies and strategies with the support of several business departments, which are responsible for guaranteeing the appropriate validation of the systems and internal procedures applied in the credit risk management. These systems and procedures are applied to the identification, measurement, control, and mitigation of exposure to credit risk, by individual transaction or aggregate of similar transactions.

The goal is to maintain a risk profile and adequate minimum return that outweighs the risk of default and estimated customer and portfolio, as defined by the Executive Committee.

The specialization of the Bank's risk function is based on the type of customer and, accordingly, a distinction is made between individualized customers and standardized customers in the risk management process:

- Customers with individual management: Customers with individual management: the wholesale segment customers, financial institutions and certain companies. Risk management is implemented through a risk analyst set. The client is linked to risk analyst who prepares the analysis, the Committee directs and monitors the progress of the client.

- Customers with standardized management: individuals and companies not classified as individual clients. The management of this risk models based on automated decision-making and risk assessment of local risks, complemented by commercial competencies and teams of analysts to handle exceptions.

Collection of documentation and information necessary for a comprehensive analysis of the risk involved, the identification of the decision-maker, the counterparty, the risk involved in the transactions, the classification of the risk level into different categories, credit granting, periodic assessments of risk levels; these procedures are applied by the Bank to determine the volumes of guarantees and allowances necessary so that lending transactions are conducted according to existing standards and with the necessary security. Policies, systems and procedures used are reassessed annually to ensure they are consistent with the risk management requirements and current market scenarios.

The profile of credit risk assumed by the Bank is characterized by a diversity of clients and the large volume of retail operations. Aspects Macroeconomic and market conditions, as well as sector and geographical concentration, customer profiling, economic prospects are also evaluated and considered in the appropriate measuring of credit risk.

b.2) Measures and measurement tools

Rating tools

The Bank has used proprietary internal rating models to measure the credit quality of a given customer or transaction. Each rating relates to a certain probability of default or non-payment, determined on the basis of the Entity's historical experience, with the exception of certain portfolios classified as "low default portfolios". Rating/Scores models are used in the Bank's loan approval and risk monitoring process.

Global rating tools are applied to the sovereign risk, financial institutions and global wholesale clients (GBM). Management of these segments is centralized at Bank level. These tools assign a rating to each customer, which is obtained from a quantitative or automatic module, based on balance sheet ratios or macroeconomic variables, supplemented by the analyst's judgment.

For the corporate and individualized institutions segments, it was defined a single methodology for the construction of a rating system in each country, based on the same modules as the above-mentioned ratings: a quantitative or automatic module (analyzing the credit performance of a sample of customers and the correlation with their financial statements), a qualitative or analyst judgment module, and final reviews.

Ratings assigned to customers are reviewed periodically to include any new financial information available and the experience in the banking relationship. The frequency of the reviews is increased in the case of customers that reach certain levels in the automatic warning systems and of customers classified as requiring special monitoring. The rating tools themselves are also reviewed in order to progressively fine-tune the ratings they provide.

For customers with standardized management, both legal entities and individuals, scoring tools that automatically assign a score to the proposed transactions.

These loan approval systems are supplemented by performance rating models. These tools provide enhanced predictability of the risk assumed and are used for preventive and marketing activities.

Credit risk parameters

The estimates of the risk parameters (PD and LGD) should be based on internal experience, i.e. on default observations and on the experience in defaulted loan recoveries.

For low portfolios, such as banks, sovereign risk or global wholesale clients, the parameters are based on CDS market data and with global broadness, using Santander´s world presence.

For the other portfolios, parameter estimates are based on the Bank's internal experience. In retail portfolios, the internal rating is estimated based on models that use client behavior data and available external bureau information; PDs are then calculated based on default rates, which is defined as up to 90 days past due.

LGD calculation is based on the observation of the recoveries of defaulted loans, taking into account not only the income and expenses associated with the recovery process, but also the timing thereof and the indirect costs arising from the recovery process.

The estimated parameters are then assigned to performing, i.e. non-defaulted, loans. For low-default portfolios, which are managed globally, the assignment process follows the same patterns in all Santander units.

By contrast, the retail portfolios have specific scoring systems in each of the Bank's units, which require the development of separate estimates and the assignation of parameters in a particular manner in each case.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Master rating scale

In order to achieve equivalent internal ratings in the different models available –corporate, sovereign risk, financial institutions and other segments– and to make them comparable with the external ratings of rating agencies, the Bank has a so-called master rating scale.

The equivalence is established through the probability of default associated with each rating. Internally calibrated PDs are compared against the default rates associated with the external ratings, which are published periodically by rating agencies.

Internal rating	Probability of Default	Equivalence with: Standard & Poor's	Moody's
9.3	0.017%	AAA	Aaa
9.2	0.018%	AA+	Aa1
9.0	0.022%	AA	Aa2
8.5	0.035%	AA-	Aa3
8.0	0.06%	A+	A1
7.5	0.09%	A	A2
7.0	0.14%	A-	A3
6.5	0.23%	BBB+	Baa1
6.0	0.36%	BBB+	Baa2
5.5	0.57%	BBB-	Baa3
5.0	0.92%	BB+	Ba1
4.5	1.46%	BB	Ba2
4.0	2.33%	BB/BB-	Ba2/Ba3
3.5	3.71%	BB-/BB+	Ba3/B1
3.0	5.92%	B+/B	B1/B2
2.5	9.44%	B	B2
2.0	15.05%	B-	B3
1.5	24.00%	CCC	Caa1
1.0	38.26%	CC/C	Caa1/Caa2

b.3) Observed loss: measures of cost of credit

To supplement the use of the advanced models described above (see related data in the “Economic Capital” section), other habitual measures are used to facilitate prudent and effective management of credit risk based on observed loss.

The cost of credit is mainly measured by performance indicators such as the variation in the provision for credit losses, nonperforming loans in the process of recovery and net credits written off as losses.

b.4) Credit risk cycle

The risk management process consists of identifying, measuring, analyzing, controlling, negotiating and deciding on, as appropriate, the risks incurred in the Bank’s operations. The parties involved in this process are the risk taking areas, senior management and the risk function.

The process begins at senior management level, through the board of directors and the risk committee, which establishes the risk policies and procedures, and the limits and delegations of powers, and approves and supervises the scope of action of the risk function.

The risk cycle comprises three different phases: pre-sale, sale and post-sale:

• Pre-sale: this phase includes the risk planning and target setting processes, determination of the Bank’s risk appetite, approval of new products, risk analysis and credit rating process, and limit setting.

• Sale: this is the decision-making phase for both pre-classified and specific transactions.

• Post-sale: this phase comprises the risk monitoring, measurement and control processes and the recovery process.

Risk limit planning and setting

Risk limit setting is a dynamic process that identifies the Banco Santander’s risk appetite by assessing business proposals and the attitude to risk. This process is defined in the global risk limit plan, an agreed-upon comprehensive document for the integrated management of the balance sheet and the inherent risks, which establishes risk appetite on the basis of the various factors involved.

The risk limits are founded on two basic structures: customers/segments and products.

For individualized risks, customers represent the most basic level, for which individual limits are established (pre-classification).

For large corporate groups a pre-classification model, based on an economic capital measurement and monitoring system, is used. As regards the corporate segment, a simplified pre-classification model is applied for customers meeting certain requirements (thorough knowledge, rating, and others).

In the case of standardized risks, the risk limits are planned and set using the credit management programs (PGC), a document agreed upon by the business areas and the risk units and approved by the Risk Executive Committee, which contains the expected results of transactions in terms of risk and return, as well as the limits applicable to the activity and the related risk management.

Risk analysis and credit rating process

Risk analysis is a pre-requisite for the approval of loans to customers by the Bank. This analysis consists of examining the counterparty's ability to meet its contractual obligations to the Banco Santander, which involves analyzing the customer's credit quality, its risk transactions, solvency, and sustainability of business and the return to be obtained in view of the risk assumed.

The risk analysis is conducted yearly, at least, and can be held shortly when client profile indicates (through systems with centralized alerts, managers visits to clients or specific credit analysis), or when operations are not covered by pre-classification.

Transaction decision-making

The purpose of the transaction decision-making process is to analyze transactions and adopt resolutions thereon, taking into account the interest risk (risk appetite) and any transaction elements that are important in achieving a balance the relation between risk and return.

The Bank has been using, among others, the RORAC (return on risk-adjusted capital) methodology for the risk analysis and pricing in the decision-making process on transactions and deals.

Risk monitoring and control

In addition to the tasks performed by the Internal Audit Division, the Risks Vice Presidency has a specific risk monitoring function for adequate credit quality control, which consists of local and global teams to which specific resources and persons in charge have been assigned.

This monitoring function is based on process of permanent observation to enable early detection of any incidents that might arise in the evolution of the risk, the transactions, the customers and their environment, and the adoption of mitigating actions. The risk monitoring function is specialized by customer segment.

For this purpose a system called "special surveillance firms" (FEVE, using the Spanish acronym) has been designed that distinguishes four categories based on the degree of concern raised by the circumstances observed (extinguish, secure, reduce and monitor). The inclusion of a company in the FEVE system does not mean that there has been a default, but rather that it is deemed advisable to adopt a specific policy for this company, to place a person in charge and to set the policy implementation period. Customers classified as FEVE are revised at least every six months, or every three months for those classified in the most severe categories. A company is classified as FEVE as a result of the monitoring process itself, a review performed by Internal Audit, a decision made by the sales manager responsible for that company or the triggering of the automatic warning system.

Assigned ratings are reviewed at least annually, but should any weakness be detected, or depending on the rating itself, more frequent reviews are performed.

For exposures to standardized customers, the key indicators are monitored in order to detect any variance in the performance of the loan portfolio with respect to the forecasts contained in the credit management programs.

b.5) Risk control function

Supplementing the management process, the risk control function obtains a global view of the Bank's loan portfolio, through the various phases of the risk cycle, with a level of detail sufficient to permit the assessment of the current situation of the risk process, its qualities and any changes therein.

Any changes in the Bank's risk exposure are controlled on an ongoing and systematic basis against budgets, limits and benchmarks, and the impacts of these changes in certain future situations, both of an exogenous nature and those arising from strategic decisions, are assessed in order to establish measures that place the profile and amount of the loss portfolio within the parameters set by Executive Commission.

The risk control function is performed by assessing risks from various complementary perspectives, the main pillars being control by geographical location, business area, management model, product and process, thus facilitating the detection of specific areas warranting action and for which decisions have to be taken.

b.5.1) Credit recovery

The Credit Recovery department works in the credit collection and recovery of Bank Santander clients. The strategies and channels of collection operation are defined according analysis which showed the greatest efficiency in the recovery. In the early days of delinquency, is adopted a more enhanced recovery model, with specific strategies, with a closer internal monitoring. Call centers, negativation in the organs of credit protection (credit bureaus), letters of collection and collection through the branches network are used during this phase, in order to recover the loan and maintain customer relationship. In cases with arrears exceeding 60 days past due and higher values, come into play internal teams specialized in restructuring and credit recovery with direct management of delinquent customers. Lower values or more severe delays have the recovery carried out through third party collection administrative (friendly) or judicial, according to internal criteria, receiving a commission for any amounts recovered.

Tools are used, such as behavioral score, to study the performance of collecting certain groups, in an attempt to reduce costs and increase recoveries. The customers probability of payment are classified as low risk, and greater attention is paid to maintaining a healthy relationship with them. Customers with little chance of making the payment, in turn, are classified as high risk, and are being monitored more closely . All customers, with overdue amounts or restructured credits, have internal restrictions.

Sales of portfolios of defaulted loans, with a focus on operations in write-off status, are also held periodically through an auction process, in which are assessed conditions and characteristics of operations for its evaluation, without retention of risk.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

b.6) Credit risk from other standpoints

Certain areas and/or specific views of credit risk deserve specialist attention, complementary to global risk management.

Concentration risk

Concentration risk is an essential factor in the area of credit risk management. The Bank constantly monitors the degree of concentration of its credit risk portfolios, by geographical area/country, economic sector, product and customer group.

The risk committee establishes the risk policies and reviews the exposure limits required to ensure adequate management of credit risk portfolio concentration.

From the sectorial standpoint, the distribution of the corporate portfolio is adequately diversified.

The Bank's Risk Area works closely with the Finance Area in the active management of credit portfolios, which includes reducing the concentration of exposures through several techniques, such as the arrangement of credit derivatives for hedging purposes or the performance of securitization transactions, in order to optimize the risk/return ratio of the total portfolio.

Credit risk from financial market operations

This heading includes the credit risk arising in treasury operations with customers, mainly credit institutions. These operations are performed both via money market financing products with different financial institutions and via derivative instruments arranged for the purpose of serving our customers.

Risk control is performed using an integrated, real-time system that enables the Bank to know at any time the unused exposure limit with respect to any counterparty, any product and maturity and at any Bank unit.

Credit risk is measured at its current market value and its potential value (exposure value considering the future variation in the underlying market factors). Therefore, the credit risk equivalent (CRE) is defined as the sum of net replacement value plus the maximum potential value of the contracts in the future.

Environmental risk

Are in place Environmental Risk Practice for the Bank Santander for the Wholesale Bank which in addition to lending, provides analysis of environmental issues in accepting clients. The Environmental Risk area analyzes the social management of the client and its value chain by checking items such as contaminated areas, deforestation, labor violations and other problems for which there is the risk of penalties.

A specialized team with a background in Biology, Geology, Chemistry, Health and Safety Engineering monitors the social and environmental practices of clients and a team of financial analysts studying the probability of damages related to such practices that may affect the guarantees and the financial condition of Banks' customers. Our experience shows that the company cares for the well-being of its employees and the environment in which it operates tend to have a more efficient and therefore more likely to honor their commitments and generate good business.

b.7) Variations in main aggregates in 2011

Systems integration and search for speed and simplicity in our day to day operations resulted in a new risk model, consolidated in 2011 into a single technology platform, which allowed us to streamline processes and improve the approval period for our credit customers. The new model has brought significant synergy gains for credit analysis as more scope to the team's commercial retail and new models score without losing credit quality and prudence that has characterized our political risk.

Thus, we reinforce our regionalized structure and were better prepared to grow and gain market share, supporting the business strategy of Santander in Brazil. Thus, we end the year with above-market results, reversing the trend of the first month.

In 2011, we also work on credit recovery, especially due to the increase in defaults. Reinforce controls and guidance we offer to our customers in order to ensure they have access to products and services commensurate with their income. For this, we created a team of experts prepared to understand the reality of customers and thus offer solutions for all types of situations.

Even before this, we are still adopting a strategy of expanding credit, supported by the positive momentum of the Brazilian economy and our political risk. One of the differences of this policy is the involvement of top management in decision making. The discussions take place in the Risk Committee and the resolutions are defined in a collegiate manner to ensure maximum alignment. Another important point is the independence of staff in relation to the business, which allows more assertive decisions and reduces credit risk.

On the environmental risk, the year 2011 was important to consolidate our practices and improve processes, increasing the rigor of the controls the most critical areas of the productive sector.

The following table shows the key indicators of credit risk:

	2011	2010	2009
Credit risk exposure - customers (*) (Thousand of Reais)	216,756,389	183,121,435	159,465,631
Non-performing loans ratio (%)	6.73%	5.82%	7.15%
Impairment coverage ratio (%)	85.52%	98.32%	101.72%
Specific credit loss provisions, net of RAWO (**) (Thousand of Reais)	11,179,835	9,191,762	10,070,479
Cost of credit (% of risk)	4.76%	4.86%	6.24%

Data prepared on the basis of management criteria and the accounting criteria of the controller unit.
(*) Includes gross loans and advances to customers, guarantees and documentary credits.
(**) RAWO = Recoveries of Assets Written Off.

c) Market Risk

Market risk is the exposure to risks such as interest rates, exchange rates, prices of goods, prices in the stock market and others according to the type of product, volume of operations, term and conditions of the agreement and underlying volatility.

The Bank operates according to global policies, within the Group's risk tolerance level, aligned with the objectives in Brazil and in the world.

With this purpose, it has developed its own Risk Management model, according to the following principles:

- Functional independence;

- Executive capacity sustained by knowledge and proximity with the client;

- Global and far-reaching of the function (different types of risk);

- Collective decision-making, which evaluate a variety of possible scenarios and do not compromise the results with individual decision, including Brazil Executive Risk Committee (Comitê Executivo de Riscos Brasil), which delimits and approves the operations and the Asset and Liabilities Committee, which responds for the capital management and structural risks, including country-risk, liquidity and interest rates.

- Management and improvement of the equation risk/return; and

- Advanced methodologies for risk management, such as Value at Risk – VaR (historical simulation of 521 days with a confidence level of 99¨and time horizon of one day), scenarios, financial margin sensibility, book value and contingency plan.

The Market Risks structure is part of the Vice Presidency of Credit and Market Risks, an independent area that aligns risk policies taking into consideration the guidelines of the Board of Directors and the Risks Division of Santander in Spain.

c.1) Activities subject to market risk

The measurement, control and monitoring of the market risk area comprises all operations in which net worth risk is assumed. This risk arises from changes in the risk factors –interest rate, exchange rate, equities, commodity prices and the volatility thereof– and from the solvency and liquidity risk of the various products and markets in which the Bank operates.

The activities are segmented by risk type as follows:

- Trading: this item includes financial services for customers, trading operations and positioning mainly in fixed-income, equity , foreign currency products and shares.

- Balance sheet management: A risk management assessment aims to give stability to interest income from the commercial and economic value of the Bank, maintaining adequate levels of liquidity and solvency. The risk is measured by the balance sheet exposure to movements in interest rates and level of liquidity.

- Structural risks:

i. Structural foreign currency risk/hedges of results: foreign currency risk arising from the currency in which investments in consolidable and non-consolidable companies are made (structural exchange rate). This item also includes the positions taken to hedge the foreign currency risk on future results generated in currencies other than the Real (hedges of results).

ii. Structural equities risk: this item includes equity investments in non-consolidated financial and non-financial companies that give rise to equities risk.

The Treasury area is responsible for managing the positions taken in the trading activity.

The Financial Management area is responsible for managing the balance sheet management risk and structural risks centrally through the application of uniform methodologies adapted to the situation of each market in which the Bank operates. Thus, in the convertible currencies area, Financial Management directly manages the Parent's risks and coordinates the management of the other units operating in these currencies. Decisions affecting the management of these risks are taken through the ALCO committees in the respective countries and, ultimately, by the Parent's markets committee.

The aim pursued by Financial Management is to ensure the stability and recurring nature of both the net interest margin of the commercial activity and the Bank's economic value, whilst maintaining adequate liquidity and solvency levels.

Each of these activities is measured and analyzed using different tools in order to reflect their risk profiles as accurately as possible.

c.2) Methodologies

Trading

The Bank calculates trading market risk capital requirement using a standard model provided by Bacen.

The standard methodology applied to trading activities by the Santander Bank and the value at risk (VaR), which measures the maximum expected loss with a given confidence level and time horizon. This methodology was based on a standard historical simulation with a 99% confidence level and a one-day time horizon. Statistical adjustments were made to enable the swift and efficient incorporation of the most recent events that condition the level of risk assumed.

Specifically, the Bank uses a time window of two years or 521 daily data obtained retrospectively from the reference date of the VaR calculation. Two figures are calculated each day, one by applying an exponential decline factor which gives a lesser weighting to more distant observations in time, and another with uniform weightings for all observations. The VaR reported is the higher of these two figures.

VaR is not the only measure. It is used because it is easy to calculate and because it provides a good reference of the level of risk incurred by the Bank. However, other measures are simultaneously being implemented to enable the Bank to exercise greater risk control in all the markets in which it operates.

One of these measures is scenario analysis, which consists of defining behavior scenarios for various financial variables and determining the impact on results of applying them to the Bank’s activities. These scenarios can replicate past events (such as crises) or, conversely, determine plausible scenarios that are unrelated to past events. A minimum of three types of scenarios are defined (plausible, severe and extreme) which, together with VaR, make it possible to obtain a much more complete spectrum of the risk profile.

The positions are monitored daily through an exhaustive control of changes in the portfolios, the aim being to detect possible incidents and correct them immediately. The daily preparation of an income statement is an excellent risk indicator, insofar as it allows us to observe and detect the impact of changes in financial variables on the portfolios.

Lastly, due to their atypical nature, derivatives and credit trading management (actively traded credit – Trading Book) activities are controlled by assessing specific measures on a daily basis. In the case of derivatives, these measures are sensitivities to fluctuations in the price of the underlying (delta and gamma), in volatility (vega) and in time (theta). For credit trading management activities, the measures controlled include sensitivity to spread, jump-to-default and position concentrations by rating level.

With respect to the credit risk inherent in the trading portfolios (Credit Trading portfolios), and in keeping with the recommendations made by the Basel Committee of Banking Supervision, an additional measure has been introduced, the Incremental Default Risk (IDR), in order to cover the default risk which is not properly captured in the VaR, through the variation of the related market prices of credit spreads. The instruments affected are basically fixed-income bonds, , derivatives on bonds (forwards, options, etc.) and credit derivatives (credit default swaps, asset-backed securities, etc.). The method used to calculate the IDR, is defined globally at Group level.

c.3) Balance-sheet management

Interest rate risk

The Bank analyses the sensitivity of the net interest margin and market value of equity to changes in interest rates. This sensitivity arises from maturity and interest rate repricing gaps in the various balance sheet items.

On the basis of the balance-sheet interest rate position, and considering the market situation and outlook, the necessary financial measures are adopted to align this position with that desired by the Bank. These measures can range from the taking of positions on markets to the definition of the interest rate features of commercial products.

The measures used by the Bank to control interest rate risk in these activities are the interest rate gap, the sensitivity of net interest margin (NIM) and market value of equity (MVE) to changes in interest rates, the duration of capital, value at risk (VaR) and scenario analysis.

Interest rate gap of assets and liabilities

The interest rate gap analysis focuses on the mismatches between the interest reset periods of on-balance-sheet assets and liabilities and of off-balance-sheet items. This analysis facilitates a basic snapshot of the balance sheet structure and enables concentrations of interest rate risk in the various maturities to be detected. Additionally, it is a useful tool for estimating the possible impact of potential changes in interest rates on the entity's net interest margin and market value of equity.

The flows of all the on- and off-balance-sheet aggregates must be broken down and placed at the point of repricing or maturity. The duration and sensitivity of aggregates that do not have a contractual maturity date are analyzed and estimated using an internal model.

Net interest margin (NIM) sensitivity

The sensitivity of the net interest margin measures the change in the expected accruals for a specific period (12 months) given a shift in the interest rate curve.

The sensitivity of the net interest margin is calculated by simulating the margin both for a scenario of changes in the interest rate curve and for the current scenario, the sensitivity being the difference between the two margins so calculated.

Market value of equity (MVE) sensitivity

The sensitivity of the market value of equity is a complementary measure to the sensitivity of the net interest margin.

This sensitivity measures the interest rate risk implicit in the market value of equity based on the effect of changes in interest rates on the present values of financial assets and liabilities.

Value at risk (VaR)

The value at risk for balance sheet aggregates and investment portfolios is calculated by applying the same standard as that used for trading: historical simulation with a confidence interval of 99% . Statistical adjustments were made to enable the swift and efficient incorporation of the most recent events that condition the level of risk assumed.

c.4) Liquidity risk

Liquidity risk is associated with the Bank's ability to finance its commitments at reasonable market prices and to carry out its business plans with stable sources of funding. The Bank permanently monitors maximum gap profiles.

The measures used to control liquidity risk in balance sheet management are the liquidity gap, liquidity ratios, stress scenarios and contingency plans.

Liquidity gap

The liquidity gap determines the inflow and outflow of funds for assets, liabilities and off-balance sheet accounts at a given time horizon, making it possible to analyze mismatches between the Bank's expected inflow and outflow of funds.

A liquidity gap may be prepared and analyzed as divided into local currency liquidity gap and foreign currency liquidity gap, under which cash and cash equivalents, inflows and outflows and strategies are segregated into local and foreign currency, respectively.

The Bank prepares three types of Liquidity Gap analyses:

1 - Contractual liquidity gap

The Contractual Liquidity Gap determines the contractual maturity flows of the Bank's major products on a consolidated basis, and any existing mismatches. It also informs the available liquidity in one day and the consumption of or increase in liquidity in the period.

2 - Operational liquidity gap

Daily cash monitoring and management considering the market situation, maturities and renewal of assets and liabilities, liquidity requirement and specific events.

3 - Projected liquidity gap

Based on the Contractual Liquidity Gap, new maturity flows are projected considering the Bank's budget plan.

Liquidity ratios

In addition to the Liquidity Gap analysis, a Structure Liquidity model is also prepared to assess the structure profile of the sources and uses of the Bank's funds, which includes Liquidity Ratio studies.

The key Liquidity Ratios analyzed are as follows:

• Deposits / Lending operations – measures the Institution's ability to finance lending operations with more stable and lower-cost funding.

• Stable Liabilities / Permanent Assets – measures the ration between Capital + Other Stable Liabilities and Investments + Other Permanent Assets.

• Market Funding / Total Assets – measures the percentage of the Group's assets financed with less stable and higher-cost funding.

• Short-term market funding / Market Funding – measures the percentage of probable liquidity loss (less than 90 days) on total less stable funding.

• Net Assets / Short-term Market Funding – measures the commitment ratio of highly-liquid assets and probable liquidity loss(less than 90 days).

Scenario analysis / Contingency plan

Liquidity management requires an analysis of financial scenarios where possible liquidity issues are evaluated. For this, crisis scenarios are built and then studied. The model used for this analysis is the Liquidity Stress Test.

The Liquidity Stress Test assesses the institution's financial structure and ability to resist and respond to the most extreme situations.

The purpose of the Liquidity Stress Test is to simulate adverse market conditions, making it possible assess impacts on the institution's liquidity and payment ability, so as to take preventive actions or avoid positions that may adversely affect liquidity in worst-case scenarios.

Scenarios are determined based on an analysis of the market commitment during prior crises and future estimates. Four scenarios with different intensity levels are prepared.

Based on an analysis of the stress models, the Minimum Liquidity concept was determined, which is the minimum liquidity required to support the liquidity losses of up to 90% for 90 days in all crisis scenarios simulated.

Based on the results obtained through the Liquidity Stress Test, the Bank prepares its Liquidity Contingency Plan, which is a formal combination of preventive and corrective actions to be taken in liquidity crisis scenarios.

The Liquidity Contingency Plan is primarily intended to the following:

• Crisis identification – the preparation of a Liquidity Contingency Plan requires the determination in advance of a measurable parameter determining the institution's liquidity condition and structure. This parameter is the Liquidity Minimum Limit determined by the Liquidity Stress Test. When this limit is exceeded, there is a liquidity crisis environment, and thus, the Contingency Plan is used.

• Internal Communication – after the crisis is identified, it is necessary to establish clear communication channels to mitigate the problems raised. People held accountable for taking these contingency actions should be notified of the extent of the contingency and measures to be taken.

• Corrective actions – Actions intended to actually generate the funds required to solve or mitigate the effects of crisis, as follows:

- Assess the type and severity of the crisis;

- Identify the most impacted segment;

- Put in practice the measures planned to generate funds, considering the required amount and cost of the additional resource, either financial or image cost.

ALCO reviews and approves stress models, Minimum Liquidity and Contingency Plan on a semi-annual basis.

If adverse market conditions occur, ALCO may review and approve new models, Minimum Liquidity and Contingency Plan on a need basis.

c.5) Structural foreign currency risk / Hedges of results / Structural equities risk

These activities are monitored by measuring positions, VaR and results.

c.5.1) Complementary measures

Calibration and test measures

Back-testing consists of performing a comparative analysis between VaR estimates and daily "clean" results (profit or loss on the portfolios at the end of the preceding day valued at following-day prices). The aim of these tests is to verify and provide a measure of the accuracy of the models used to calculate VaR.

Back-testing analyses performed at the Santander Bank comply, at the very least, with the BIS recommendations regarding the verification of the internal systems used to measure and manage financial risks. Additionally, the Santander Bank also conducts hypothesis tests: excess tests, normality tests, Spearman's rank correlation, average excess measures, etc.

The assessment models are regularly calibrated and tested by a specialized unit.

c.6) Control system

Limit setting

The limit setting process is performed together with the budgeting activity and is the tool used to establish the assets and liabilities available to each business activity. Limit setting is a dynamic process that responds to the level of risk considered acceptable by senior management.

The limits structure requires a process to be performed that pursues, inter alia, the following objectives:

1. To identify and delimit, in an efficient and comprehensive manner, the main types of financial risk incurred, so that they are consistent with business management and the defined strategy.

2. To quantify and communicate to the business areas the risk levels and profile deemed acceptable by senior management so as to avoid undesired risks.

3. To give flexibility to the business areas for the efficient and timely assumption of financial risks, depending on market changes, and for the implementation of the business strategies, provided that the acceptable levels of risk are not exceeded.

4. To allow business makers to assume risks which, although prudent, are sufficient to obtain the budgeted results.

5. To delimit the range of products and underlyings with which each Treasury unit can operate, taking into account features such as assessment model and systems, liquidity of the instruments involved, etc.

c.7) Risks and results in 2011

Trading

The average VaR of the Bank's trading portfolio in 2011 at R$21.73 (2010 - R$27.19 million and R$38.0 million for 2009). The dynamic management of this profile enables the Bank to change its strategy in order to capitalize on the opportunities offered by an environment of uncertainty.

c.7.1) Balance sheet management (1)

Interest rate risk

Convertible currencies

At 2011 year-end, the sensitivity of the net interest margin at one year to parallel increases of 100 basis points applied to Banco Santander portfolios was concentrated on the BRL interest rate curve was negative by R$263.02 million.

Also at 2011 year-end, the sensitivity market value of equity to parallel increases of 100 basis points applied to the Banco Santander in the BRL interest rate curve was negative by R$1,491.78 million.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Quantitative risk analysis

The interest rate risk in balance sheet management portfolios, measured in terms of sensitivity of the net interest margin (NIM) at one year to a parallel increase of 100 b.p. in the interest rate curve, increased R$40 million over 2011, reaching a maximum of R$263 million in the month in December. The sensitivity value increased R$299 million during 2011, reaching maximum level in November to R$1,596 million. The main factors that occurred in 2011 and influenced the growth of this sensitivity, we increase the loan portfolio of approximately R$18 billion (generating an increase of R$194 million MVE) and the sale of Santander Seguros.

Thousands of Reais	
	2011
Sensibilities	
Net Interest Margin	263
Market Value of Equity	1,492
Value at Risk - Balance	
VaR	252

(1) Includes the balance sheet total, except for the financial assets and liabilities held for trading.

Structural liquidity management

Structural liquidity management seeks to finance the Bank's recurring business with optimal maturity and cost conditions, avoiding the need to assume undesired liquidity risks.

The main features of the structural liquidity management in 2011 were as follows:

• Ample structural liquidity position. Since Santander is basically a commercial bank, customer deposits constitute the main source of liquidity in its financing structure. These deposits, combined with capital and other similar instruments, enable the Bank to cover most of its liquidity requirements and, as a result, the financing raised in wholesale markets is moderate with respect to the size of its balance sheet.

• In Brazil, the legal reserve requirement takes a considerable part of the funding.

• Obtainment of liquidity through diversification in instruments. Additionally, subordinated and senior debts have an overall long maturity.

• The local balance sheet should be self-funded.

• Based on stress test results, a minimum liquidity buffer is maintained.

• Santander reliance in international funding is not considerable.

• The aim is that hard currency related activities be funded with third parties hard currency funding.

• Though, given that potential disruptions in this market, Banco Santander has mechanisms to use the local liquidity in order to support hard currency activities.

• High capacity to obtain on-balance-sheet liquidity. Government bond positions are held for liquidity management purposes.

• The Bank performs control and management functions, which involves planning its funding requirements, structuring the sources of financing to achieve optimum diversification in terms of maturities and instruments, and defining contingency plans.

In practice, the liquidity management performed by the Bank consists of the following:

• Each year, a liquidity plan is prepared on the basis of the financing needs arising from the budgets of each business. Based on these liquidity requirements and taking into account certain prudential limits on the obtainment of short-term market financing, the Bank establishes an issue and securitization plan for the year.

• Throughout the year the Bank periodically monitors the actual changes in financing requirements and updates this plan accordingly.

• Control and analysis of liquidity risk. The primary objective is to guarantee that the Bank has sufficient liquidity to meet its short- and long-term financing requirements in normal market situations. To this end, the Bank employs certain balance-sheet control measures, such as the liquidity gap and liquidity ratios.

Simultaneously, various scenario (or stress-scenario) analyses are conducted which consider the additional requirements that could arise if certain extreme but plausible events occur. The aim pursued is to cover a broad spectrum of situations that are more or less likely to affect the Bank, thus enabling it to prepare the related contingency plans.

c.8) Trading book sensitivity analysis

From a local regulatory point of view, Banco Santander's trading risk management is focused on portfolios and risk factors pursuant to the requirements of regulators and good international practices.

As in the management of market risk exposure, financial instruments are segregated into trading and banking portfolios according to the best market practices and the transaction classification and capital management criteria of the Basel II New Standardized Approach of Bacen. The trading portfolio consists of all transactions with financial instruments and products, including derivatives, held for trading, and the banking portfolio consists of core business transactions arising from the different Banco Santander business lines and their possible hedges. Accordingly, based on the nature of the Banco Santander's activities, the sensitivity analysis was presented for trading and banking portfolios.

The table below summarizes the stress amounts generated by Banco Santander's corporate systems, related to the banking portfolio, for each one of the portfolio scenarios as at December 31, 2011.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Trading portfolio

		2011	
Risk Factor	**Scenario 1**	**Scenario 2**	**Scenario 3**
Coupon - US Dollar	(12,977)	(7,553)	84,447
Coupon - Other Currencies	(4,533)	(45,334)	(226,670)
Fixed Interest Rate - Reais	(4,590)	(45,899)	(229,495)
Shares and Indices	(5,990)	(14,974)	(29,948)
Inflation	6,037	60,370	301,848
Others	(1,413)	(14,128)	(70,640)
Total (1)	**(23,466)**	**(67,518)**	**(170,458)**

(1) Capital market value was calculated with 1.5 year maturity.

The table below summarizes the stress values generated by the Banco Santander's corporate systems, related to the banking portfolio, for each one of the portfolio

Portfolio Banking

		2011	
Risk Factor	**Scenario 1**	**Scenario 2**	**Scenario 3**
Coupon - US Dollar	(964)	(9,643)	(48,217)
TR and Long-term Interest Rate (TJLP)	(3,502)	(35,025)	(175,125)
Fixed Interest Rate - Reais	(36,903)	(369,034)	(1,845,171)
Inflation	(1,496)	(14,959)	(74,793)
Total (1) (2)	**(42,865)**	**(428,661)**	**(2,143,306)**

(1) Capital market value was calculated with 1.5 year maturity.
(2) Amounts net of tax effects.

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

Scenario 1: usually reported in our daily reports and corresponds to an upward shock of 10 basis points on the local and foreign currencies coupon curves, plus a shock of 10% on the currency rates (upwards) and stock market (downwards) spot prices, and an upward shock of ten basis points on the volatility surface of currencies used to price options.

Scenario 2: corresponds to an upward shock of 100 basis points on the local and foreign currency coupon curves, plus a shock of 25% on the currency rates (upwards) and stock market (downwards) spot prices, and an upward shock of 100 base points on the volatility surface of currencies used to price options.

Scenario 3: corresponds to an upward shock of 500 basis points on the local and foreign currency coupon curves, plus a shock of 50% on the currency rates (upwards) and stock market (downwards) spot prices, and an upward shock of 500 basis points on the volatility surface of currencies used to price options.

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

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

Fixed rate (BRL): in Brazilian Reais: all products with price changes tied to changes in interest rate in Brazilian Reais.

TR and TJLP: all products with price changes tied to changes in the TR and TJLP.

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

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

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

d) Operational Risks Technological Business Continuity, Internal Controls and Sarbanes-Oxley Law Management

Banco Santander´s corporative areas, responsible for Technologic and Operational Risk Management and Internal Controls - SOX, are subject to different vice presidents, with structure, procedure, methodologies, tools and specific internal model guarantying through, managerial models, an adequate identification, capture, assessment, control, monitoring, mitigation and loss events reduction. In addition, management and prevention of operational, technological and business continuity plan risks, besides the improvement of the internal control model, satisfies the determinations of regulators, New Basel Accord - BIS II, and Sarbanes-Oxley requirements. Banco Santander also complies with the guidelines set out by Banco Santander Spain, which are based on the COSO - Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management – Integrated Framework.

The procedures developed and adopted are intended to put and maintain Banco Santander among the financial institutions recognized as the entities with the best practices for the management of operational risks, contributing to continuously improve the reputation, soundness and reliability in the local and international markets.

Senior management is an acting party, aligned with the function's mission, by recognizing, participating and sharing responsibility for the continuous improvement of this culture and framework of the technologic and operational risk management risk and the internal control system, in order to ensure the fulfillment of defined objectives and goals, as well as the security and quality of the products and services provided.

The Board of Directors of Banco Santander opted for the Alternative Standardized Approach (ASA) to calculate the regulatory capital ratio required for operational risk.

d.1) Operational and Technological Risks Department

The Operational and Technological Risks Department is responsible for implementing best practices for the management and control of operational risks, technological risks and business continuity. The department assists managerial and operational staff in meeting their strategic objectives, strengthening the robustness of the decision-making process, optimizing execution of daily activities, in addition to complying with regulatory obligations. Overall, the joint effort results in maintaining the Bank's soundness, reliability and reputation.

The foundations of the operational and technological risk management and control model combine two approaches: centralized and decentralized.

Centralized Approach

As per the centralized approach, the Operational and Technological Risks Department is responsible for the control of operational and technological risks. Departmental responsibilities include: identify, assess, capture, monitor, control, analyze, consolidate, model and assist in mitigating not only relevant operational risks but also loss events resulting from operational and technological risks. The scope of the Department's responsibility comprises organizational units, processes and entities belonging to the Bank.

Decentralized Approach

As per the decentralized approach, each individual organizational unit along with the corresponding managers is responsible for operational and technological risk management. Internal Control and Operational Risk Agents in conjunction with the Operational and Technological Risks Department provide support through policies, methodologies and tools.

The Santander Brazil strives to integrate and consolidate best practices for operational risk management and control. In conjunction with the centralized and decentralized management approaches, the Bank adopts complementary approaches. Such additional practices are based on qualitative and quantitative elements, technological risk management and control, and business continuity management.

d.2) Qualitative and Quantitative Approaches

The objective of the qualitative approach is to identify and mitigate the materialization of operational risk. Moreover, through qualitative analysis, risk profiles are determined for departments, processes and products. The goal is to strengthen the internal control environment and monitor corporate key risk indicators.

The quantitative and qualitative approaches correlate. The quantitative approach aids in detecting, remedying and mitigating operational risk. In addition, quantitative techniques provide tools for analysis and decision-making whether strategic or operational.

The main methodological tools for the qualitative and quantitative approaches are as follows:

- Operational and technological risk tools
- Operational and technological risk matrix for processes and new products
- Self-assessment questionnaires
- Internal historical database for operational risk events and losses
- Projecting forecasts and monitoring limits for operational risk losses
- Analysis and treatment of operational risk failures and events, including corrective action plans
- Key risk indicators for operational risks

By combining the qualitative and quantitative approaches, the Bank optimizes operational, technological and business continuity risk management. Consequently, this reflects on economic and regulatory capital requirements.

d.3) Technological Risk Management and Control

With regards to technological risks, the responsibility is to assist managers in identifying and evaluating risks and the respective internal controls as they specifically pertain to information technology (IT) processes and activities. The scope of activities comprises defining methodologies, tools and systems for corporate technological risk management in addition to coordinating efforts with IT managers to prevent and reduce the frequency and severity of technological risk events.

d.4) Business Continuity Risk Management and Control

With regards to business continuity management, the responsibility is to coordinate and control the implementation, maintenance and upkeep of the methodology as it pertains to the Bank. Key elements of the methodology are:

- Business Impact Analysis
- Business Continuity Plan: Development and Simulation
- Crisis Response Group

d.5) Scope and Sustainability

By acting in an ethical and professional manner, risk management and control result in important achievements that contribute to the continuity of the Institution and its sustainable development. Accomplishments include:

• Improved operational efficiency, productivity enhancements, optimized economic and regulatory capital allocations.

• Strengthening the Bank's reputation and improving the stakeholders' risk versus reward relationship.

• Timely compliance with new regulatory requirements.

• Preserve the quality and reliability of the product and service offering.

• Timely correction of vulnerabilities identified in processes.

• Timely follow-up and compliance with specific regulatory requests.

• Acculturation of risk management awareness and accountability.

• Develop and deliver both on-line and face-to-face training programs.

• Create awareness of operational risk management and control through internal communication channels.

This framework allows the Bank to continuously improve its methodologies and to embed a cultural awareness throughout the Organization with respect to the responsibility for managing and controlling operational risk.

d.6) Differential

In line with the rest of the Bank, the Operational Risk Unit maintains its staff professionally up-to-date and trained to face a changing business environment. Moreover, the Unit offers both Intranet and face-to-face training programs to other staff members throughout the Bank.

Noteworthy accomplishments include:

• Annual Operational and Technological Risk Prevention and Control Week.

• Integration program for new employees, consisting of lectures that focus on each individual's responsibility within the context of operational risk management.

• Training on how to assess the internal control environment.

• Elaborate, publish and maintain policy manuals that reinforce cultural awareness and employee involvement in operational risk management practices.

• Coordinate the annual operational risk loss forecast, identify action plan initiatives to reduce losses and improve accountability.

• Expansion / extension of the scope of Business Continuity Management, incorporating testing Disaster Recovery.

• Interact with other units throughout the Bank and elect representatives within the most risk-prone areas including the department of Information Technology.

d.7) Outlook

Based upon the framework, methodologies, and modus operandi that are in place, the Banco Santander aims to strengthen its position both locally and internationally. As such, the Bank strives to consolidate its strategy and remain in the forefront of operational, technological and business continuity risk management and control. Further substantiating this claim is the implementation of not only an efficient and effective internal control environment but also a risk exposure identification process.

Key accomplishments and additional information, such as the establishment of the Operational Risk Executive Committee, which can be found at. www.ri.santander.com.br.

Internal Controls area and Sarbanes-Oxley (Sox) Act

The Bank implemented the Internal Controls SOX area to constantly fortify, improve and monitor the Internal Control environment. To reach this objective, implemented a Internal Control Model – MCI that aims to mitigate risks on the preparation and disclosure of the financial statements risk mitigation.

It is a corporative area responsible for the Internal Controls Model - SOX (MCI) implementation and maintenance. This consolidated model has information registered in a database, named "System SOX", that allows access only by authorized responsible managers and other users, also auditors, via local Intranet or electronic address access.

The system provides support to senior management to perform the Internal Control Model management, beyond documenting sub processes, risks and related controls. It also allows the control activities, sub processes, processes, activities and sub-groups certification by the responsible managers, that provides comfort / support for the Chief Executive Officer and Executive Vice President to certify the financial statements.

The methodology applied in the Bank establishes a periodic internal controls environmental evaluation, with the objective of:

- Obtain, from the established and performed control activities tests registered in the Internal Control Model, a reasonable design and effectiveness's assurance;

- Assure that control activities are operating in a appropriate manner, for all transactions and during all accounting year;

- Obtain information to support corrective action plans aiming at to remediate internal controls deficiencies; and

- Develop a sustainable test program to support periodic Santander´s management evaluations.

Internal Controls Sox area attributions

Contribution to reinforce the Internal Controls SOX Model, with efficient attendance, to fulfill American “Sarbanes-Oxley” law, that was promulgated in 2002.

To comply with the requirements demanded in the related law, Santander adjusted its MCI - Model of Internal Controls to highest international standards, which complies with the direction lines established by COSO - Committee of Sponsoring Organizations of the Treadway Commission, covering strategical, operational, financial statements disclosure and compliance components.

The methodology contemplates the following internal certification periods:

- Half-year certification - beginning of second Semester: design and effectiveness control activities evaluation related to de first Semester.

- Annual certification - beginning of the next accounting year: design and effectiveness control activities evaluation related to the second Semester or during the exercise to verify annual controls or not first semester contemplated controls.

Additionally, elaborates a semiannually report to evaluate the quality and adequacy of the internal controls system and to identify risks of relevant distortion that may impact the Financial Statements as well as evaluating the quality of the internal controls environment that allows a adequate elaboration and disclosure of the Financial Statements and thus to attend the requirements of regulators. The internal controls report considers the entire developed, applied and monitored Internal Controls Model of the Sox System methodology.

Main area Objectives:

- Spread the culture of risks and internal controls management at the different layers of the organization;

- Implement and provide formal maintenance of the Risks and Controls Model based in consistent methodology (COSO and COBIT) accepted by regulators and considering relevant areas;

- Document the operational flow, allowing a process vision as part of all, identification of relevant risks and controls that involve the business and processes improvement;

- Endorse conclusion if the Internal Controls Model is adequate to the nature and the complexity of its businesses;

- Validate the controls identified and registered to mitigate relevant potential risks of the activities, through design and effectiveness tests.

e) Reputational Risk

e.1) Reputational Risk

A key component of risk management is to ensure that the bank’s reputation is preserved and enhanced.

The Bank believes that the fundamental precept of its long-term business sustainability and shareholder value creation requires proper conduct of the business activities in accordance with Santander Corporate Values. A good way to do that is to engage responsibly in the right business, with the right clients.

The Bank defines reputational risk as a risk arising from negative public opinion, irrespective of whether this opinion is based on facts or merely on public perception.

Such risk can result from either:

- Actions and behavior of the organization or its staff like products sold, services provided or interactions with stakeholders, which constitutes direct risk.

- Actions and behavior of external parties, which constitutes indirect risk.

e.2) Organization and independence of the Compliance function

Compliance risk has been defined as the risk of legal or regulatory sanctions, material financial loss, or reputational harm Banco Santander may suffer as a result of its failure to comply with relevant laws, regulations, principles and rules, standards and codes of conduct applicable to its activities, in letter and in spirit.

The Compliance Department is responsible for assisting the bank to identify, to measure and to mitigate a significant part of the compliance risk but not in its entirety. Other key stakeholders in the process include the Supervisory Board, Senior Management and Finance Departments, Human Resources, Risk Department and Legal.

The compliance function within the bank is the independent oversight on behalf of senior management of those core processes and related policies and procedures that seek to ensure the bank is in conformity with industry-specific laws and regulations in letter and spirit, thereby helping to maintain the bank’s reputation.

Risk management compliance has proactive approach to compliance risk, with monitoring, education and communication.

e.3) Directives

a. Compliance principles – Ethics and Conduct in the Securities Markets

• The Bank's ethical principles and conduct parameters are established in internal policies which are made available and formally adhered to by all employees. Proper communication channels are in place to clarify doubts and complaints from staff, and monitoring and controls are conducted in a way that adherence is secured.

b. Anti-money laundering

• The Bank's anti-money laundering policies are based on the knowledge and rigorousness of the acceptance of new clients, complemented by the continuous scrutiny of all transactions where the Bank are involved in. The importance given to the theme is reflected on the direct involvement of senior management, namely the Executive Committee for AML and Compliance, which meets each trimester to deliberate on issues regarding the theme and to be directly involved with new clients acceptance and suspicious transactions reporting.

c. New products and services and suitability

• All new products and services are debated/analyzed in internal committees on several levels until their risks are completely minimized, the Corporate Commercialization Committee (Comité Corporativo de Comercialización - CCC) , integrated by senior executives of Santander (Spain), being the ultimate approval instance.

f) Compliance with the new regulatory framework

The Santander Bank has assumed from the outset a firm commitment to the principles underlying the "Revised Framework of International Convergence of Capital Measurement and Capital Standards" (Basel II). This framework allows entities to make internal estimates of the capital they are required to hold in order to safeguard their solvency against events caused by various types of risk. As a result of this commitment, the Santander Bank has devoted all the human and material resources required to ensure the success of the Basel II implementation plan. For this purpose, a Basel II team was created in the past, consisting of qualified professionals from the Bank's different areas: mainly Risks, Technology and Operations, the Controller's Unit, Financial Management, Internal Audit –to verify the whole process, as the last layer of control at the entity–, and Business –particularly as regards the integration of the internal models into management. Additionally, specific work teams have been set up to guarantee the proper management of the most complex aspects of the implementation.

Supplementing the efforts of the Basel II operating team, Santander Bank senior management has displayed total involvement from the very beginning. Thus, the progress of the project and the implications of the implementation of the New Capital Accord for the Santander Bank have been reported to the management committee and to the board of directors on a regular basis.

In the specific case of credit risk, the implementation of Basel II entails the recognition, for regulatory capital purposes, of the internal models that have been used for management purposes.

The Bank intends to apply, over the next few years, the advanced internal ratings-based (AIRB) approach under Basel II for substantially all its banks, until the percentage of net exposure of the loan portfolio covered by this approach is close to 100%.

Given the medium-low risk profile characterizing Santander's business activities, since it focuses primarily on commercial banking (corporations, SMEs and individuals), and the significant diversification of the Bank's risk and business profiles will enable it to offset the additional capital requirements arising from the Internal Capital Adequacy Assessment Process (presented under Pillar 2), which takes into account the impact of risks not addressed under Pillar 1 and the benefits arising from the diversification among risks, businesses and geographical locations.

In addition to the supervisory validation and approval process, the Santander Bank continued in 2010 with the project for the progressive implementation of the technology platforms and methodological developments required for the roll-out of the AIRB approaches for regulatory capital calculation purposes. Therefore, the Bank expects to apply advanced approaches for the calculation of regulatory capital requirements at its business units in Brazil in 2014, after the required approval from the supervisory authorities has been obtained.

Regarding the other risks addressed under Pillar I of Basel II, the Banco Santander is developing internal models for market risk and will remain using the standardized method for operational risk, since it considers the premature use of advanced models (AMA) for this purpose . Regarding the Market Risk, Banco Santander Brazil presented his candidacy in the second half of 2011, pending approval with the regulators for the use of internal models for calculating regulatory capital.

Pillar 2 is another significant line of action under the Basel II Corporate Framework. In addition to reviewing and strengthening the methodology supporting the economic capital model, the technology was brought into line with the platform supporting Pillar 1, so that all the information on credit risk will come from this source when Brazil implement internal models under Pillar I.

f.1) Internal validation of risk models

Internal validation is a pre-requisite for the supervisory validation process. A specialized unit of the Entity, with sufficient independence, obtains a technical opinion on the adequacy of the internal models for the intended internal or regulatory purposes, and concludes on their usefulness and effectiveness. This unit must also assess whether the risk management and control procedures are adequate for the Entity's risk strategy and profile.

In addition to complying with the regulatory requirement, the internal validation function provides an essential support to the risk committee and the local risk committees in the performance of their duties to authorize the use of the models (for management and regulatory purposes) and in their regular reviews, since senior management must ensure that the Entity has appropriate procedures and systems in place for the monitoring and control of credit risk.

Internal model validation at the Santander Bank encompasses credit risk models, market risk models, option pricing models and the economic capital model. The scope of the validation includes not only the more theoretical or methodological aspects, but also the technology systems and the quality of the data they provide, on which their effective operation relies, and, in general, all the relevant aspects of advanced risk management (controls, reporting, uses, involvement of senior management, etc.). Therefore, the aim of internal validation is to review quantitative, qualitative, technological and corporate governance-related aspects.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

The internal validation function is located, at corporate level, within the Integrated Risk Control and Internal Risk Validation area (CIVIR) and reports directly to head office (the third deputy chairman of the Bank and to the chairman of the risk committee) in Madrid. This function is performed at a global and corporate level in order to ensure uniformity of application. The need to validate models implemented at thirteen different units subject to nine different local supervisors, combining efficiency and effectiveness, made it advisable to create four corporate validation centers located in Madrid, London, New York and Sao Paulo. This facilitates the application of a corporate methodology that is supported by a set of tools developed internally by the Santander Bank which provide a robust corporate framework for application at all the Bank's units and which automate certain verifications to ensure efficient reviews.

It should be noted that the Santander Bank's corporate internal validation framework is fully consistent with the internal validation criteria for advanced approaches issued by regulators. Accordingly, the Bank maintains the segregation of functions between internal validation and internal audit, which, in its role as the last layer of control at the Bank, is responsible for reviewing the methodology, tools and work performed by internal validation and for giving its opinion on the degree of effective independence.

f.2) Capital Management

Capital management considers the regulatory and economic levels. The objective is to achieve an efficient capital structure in terms of cost and compliance, meeting the requirements of the regulatory body and contributing to achieving the goals of the classification of rating agencies and investors' expectations. The capital management includes securitization, sale of assets, raising capital through issue of shares, subordinated liabilities and hybrid instruments.

From an economic standpoint, capital management seeks to optimize value creation at the Bank and at its different business segment. To this end, the economic capital, RORAC (return on risk-adjusted capital) and value creation data for each business segment are generated, analyzed and reported to the management committee on a quarterly basis. Within the framework of the internal capital adequacy assessment process (Pillar 2 of the Basel Capital Accord), the Group uses an economic capital measurement model with the objective of ensuring that there is sufficient capital available to support all the risks of its activity in different economic scenarios, with the solvency levels agreed upon by the Group.

In order to adequately manage the Bank's capital, it is essential to estimate and analyze future needs, in anticipation of the various phases of the business cycle. Projections of regulatory and economic capital are made based in financial projections (balance sheet, income statement, etc.) and on macroeconomic scenarios estimated by the Economic Research Service. These estimates are used by the Bank as a reference to plan the management actions (issues, securitizations, etc.) required to achieve its capital targets.

g) Economic capital

g.1) Main objectives

The emergence of economic capital models across the financial world was aimed at addressing a fundamental problem of regulatory capital, Risk Sensitiveness.

By contrast, economic capital models are primarily designed to yield risk sensitive estimations with two objectives in mind: managing risk more accurately and allocating economic capital among different units within the organization.

Taking into consideration the importance of developing risk sensitive capital models, Santander has been making all the efforts to build a robust economic capital model and integrate it fully in the management of the business.

The main objectives of Bank's Economic capital framework are:

1 – Consolidate Pillar I and other risks impinging business activities into a single quantitative model, as well as fine tune capital estimations by establishing correlations between the different risks;

2 – Quantify and monitor variations on different types of risk;

3 – Distribute capital consumption for the main portfolios and manage its return on capital efficiency (RoRAC);

4 – Estimate the Economic Value Added for each business unit. The Economic profit must surpass the group's Cost of Capital;

5 – Compliance with the home and host regulators in the process of the supervisory review of Pillar II.

g.2) The Model

When calculating economic capital the Bank must decide the levels of losses it wants to cover. This is defined by the level of confidence with which it wants to ensure the continuation of its business. Santander's adopted confidence level is at 99.97% which is considerably above the 99.90% required by Basel II.

As a result of its prudent economic capital model, Santander meets the criteria for receiving a global AA rating.

Brazil's Risk profile

The risk profile of Brazil is distributed by the following types of risks:

% Capital **Risk Type**	**2011**	**2010**	**2009**
Credit	63%	53%	54%
Market	4%	7%	7%
ALM	7%	12%	12%
Business	9%	11%	10%
Operational	16%	16%	15%
Fixed Assets	1%	1%	1%
TOTAL	**100%**	**100%**	**100%**

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

The Credit activity, which in Dec 2010 required 58% of Brazil's economic capital, had increased its stake to 63% in December 2011, mainly because of higher loan portfolio presented in this same period and continued to be the main source of risk. This was followed by Operational , ALM and Business Risk respectively.

Operational Risk uses as its basis the Standardized approach. As such, it applies Beta factors to the Gross Income which is and it is very punitive for countries with high spreads.

The estimated RoRAC (risk adjusted return) for Dec 11 is 30.2%.

The Bank periodically assesses the level and evolution of the RORAC of its main business units. The RORAC is the profit generated over its economic capital employed, and is calculated using the following formula:

RoRAC=Profit/Economic Capital

The Bank also conducts capital planning based on stress test scenarios with the purpose of obtaining future projections of economic and regulatory capital. Results forecasts for the Bank are incorporated into the various scenarios in a coherent way, including their strategic objectives (organic growth, M&A, pay-out ratio, debt issues, etc). Possible capital management strategies are identified to enable the Bank's solvency and return on capital to be optimized.

RoRAC

The Bank has been using RoRAC, with the following purposes:

1 – To analyze and set a minimum price for operations (admissions) and clients (monitoring);

2 – To estimate the capital consumption of each client, economic groups, portfolio or business segments in order to optimize the allocation of economic capital thus maximizing the bank's efficiency;

3 – To measure and follow the performance of its businesses.

For assessing each transaction with our global clients the economic capital takes into consideration some variables in order to calculate the Expected and Unexpected losses.

Amongst these variables it is taken into consideration:

1 – Counterparty rating;

2 – Maturity;

3 – Guarantees;

4 – Type of financing;

The return on capital is determined by the cost of capital. In order to create value for the shareholders the minimum return that a transaction must yield must be higher than Santander's cost of capital. A transaction which does not cover the cost of capital is not approved.

45. Supplementary information – Conciliation of shareholders' equity and net income of the Bank

Following the CVM Instruction 485/2010, we present a reconciliation of shareholders' equity and net income attributed to the parent between Brazilian GAAP and IFRS, for each of the periods presented, below:

Thousands of Reais	**Note**	**2011**	**2010**	**2009**
Shareholders' equity attributed under Brazilian GAAP		**65,578,565**	**64,850,978**	**64,492,693**
IFRS adjustments, net of taxes, when applicable:				
Pension plan discount rate	c	-	-	(174,218)
Classification of financial instruments at fair value through profit or loss	d	13,840	(251)	19,440
Redesignation of financial instruments to available-for-sale	a	303,686	558,032	555,104
Impairment on loans and receivables	b	1,128,106	220,590	960
Deferral of financial fees, commissions and inherent costs under effective interest rate method	e	545,763	300,000	217,205
Reversal of goodwill amortization	f	9,786,227	6,682,775	3,441,629
Realization on purchase price adjustments	g	708,533	639,520	727,101
Share based payments	h	34,132	20,976	-
Others		(85,820)	82,698	(14,509)
Shareholders' equity attributed to the parent under IFRS		**78,013,032**	**73,355,318**	**69,265,405**
Non-controlling interest under IFRS		18,960	8,076	1,338
Shareholders' equity (including non-controlling interest) under IFRS		**78,031,992**	**73,363,394**	**69,266,743**

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Thousands of Reais	Note	2011	2010	2009
Net income attributed under Brazilian GAAP		**3,557,203**	**3,863,298**	**1,805,899**
IFRS adjustments, net of taxes, when applicable:				
Pension plan discount rate	c	-	(1,082)	5,125
Classification of financial instruments at fair value through profit or loss	d	18,918	(17,887)	(6,687)
Redesignation of financial instruments to available-for-sale	a	18,402	(16,300)	(15,243)
Impairment on loans and receivables	b	907,516	219,630	235,260
Deferral of financial fees, commissions and inherent costs under effective interest rate method	e	245,763	82,795	43,089
Reversal of goodwill amortization	f	3,103,452	3,241,146	3,064,864
Realization on purchase price adjustments	g	69,013	(87,581)	411,109
Others		(172,342)	98,074	(35,810)
Net income attributed to the parent under IFRS		**7,747,925**	**7,382,093**	**5,507,606**
Non-controlling interest under IFRS		7,928	481	358
Net income (including non-controlling interest) under IFRS		**7,755,853**	**7,382,574**	**5,507,964**

a) Redesignation of financial instruments to available-for-sale:

Under BRGAAP, the Bank accounts some investments as for example in debt securities at amortized cost and equity instruments at cost. Under IFRS, the Bank has classified these investments as available-for-sale, measuring them at fair value with the changes recognized in consolidated statements of recognized income and expense, under the scope of IAS 39 “Financial Instruments: Recognition and Measurement”.

b) Impairment on loans and receivables:

On the income refers to the adjust based on estimated losses on loans and receivables portfolio, which was established with based on historical loss of impairment and other circumstances known at the time of evaluation, according to the guidance provided by IAS 39 "Financial Instruments: Recognition and Measurement. These criteria differ in certain aspects of the criteria adopted under BRGAAP, which uses certain regulatory limits set by the Central Bank. Additionally, the equity accumulated adjustments of the allocation of purchase price when the acquisition of Banco Real, according to the requirements of IFRS 3 "Business Combinations".

c) Pension plan discount rate:

In 2010, the BRGAAP used the discount rate used for benefit obligations reflects the nominal interest rate while IFRS, in accordance with IAS 19 “Employee Benefits” used the rate to market yields of debts instruments. In December 2010, BRGAAP began to adopt CVM Resolution 600/2009, which eliminated the asymmetry with the international standard.

d) Classification of financial instruments at fair value through profit or loss:

Under BRGAAP, all loans and receivables and deposits are accounted for at amortized cost. Under IFRS, in accordance with IAS 39 “Financial Instruments: Recognition and Measurement” the financial assets can be measured at fair value and included in the category as “other financial assets at fair value through profit or loss” to eliminate or significantly reduce the accounting mismatch the recognition or measurement derived from measuring assets or liabilities or recognizing gains or losses on them on different bases, which are managed and their performance evaluated on the basis of fair value. Thus, the Bank classified loans, deposits and loans that meet these parameters, as the "other financial assets at fair value through profit or loss", as well as certain debt instruments classified as “available for sale” under BRGAAP. The Bank has selected such classification basis as it eliminates an accounting mismatch in the recognition of income and expenses.

e) Deferral of financial fees, commissions and inherent costs under effective interest rate method:

Under IFRS, in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”, financial fees, commissions and inherent costs that are integral part of effective interest rate of financial instruments measured at amortized cost are recognized in profit or loss over the term of the corresponding contracts. Under BRGAAP these fees and expenses are recognizes directly at income when received or paid.

f) Reversal of goodwill amortization:

Under BRGAAP, goodwill is amortized systematically over a period until 10 years and additionally, the goodwill recorded is measured annually or whenever there is any indication that the asset may be impaired. Under IFRS, in accordance with IAS 38 “Intangible Assets”, goodwill is not amortized, but instead, is tested for impairment, at least annually, and whenever there is an indication that the goodwill may be impaired; comparing its recoverable amount with its carrying value. The tax amortization of goodwill of Banco ABN Amro Real SA represents a difference between book and tax basis of a permanent nature and definitive as the possibility of future use of resources to settle a tax liability is considered remote by management, supported by the opinion of expert external advisors. The tax amortization of goodwill is permanent and definitive, and therefore does not apply to the recognition of a deferred tax liability in accordance with IAS 12, on temporary differences.

g) Realization on purchase price adjustments:

As part of the allocation of the purchase price when the acquisition of Banco Real, following the requirements of IFRS 3, the Bank has revalued its assets and liabilities of the acquired to fair value, including identifiable intangible assets with finite lives. Under BRGAAP, in a business combination, the assets and liabilities are kept at their book value. This purchase price adjustment relates substantially to the following items:

• The appropriation related to the value of assets in the loan portfolio. The initial registration of value of the loans at fair value, adjustment to the yield curve of the loan portfolio in comparison to its nominal value, which is appropriated by its average realization period.

• The amortization of the identified intangible assets with finite lives over their estimated useful lives.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

h) Share based payments:

Banco Santander has a local long-term compensation plans linked to payments based in shares. According to IFRS 2 "share based payments", the amount of shares to be paid should be measured at the fair value and accounted in equity, while in BRGAAP it is accounted in "Other Payables - Other".

APPENDIX I – SUBSIDIARIES OF BANCO SANTANDER (BRASIL) S.A.

Thousands of Reais

Direct and Indirect controlled by Banco Santander (Brasil) S.A.	Activity	Participation % Direct	Participation % Indirect	Adjusted Stockholders' Equity [5]	Net Income [5]
Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A. [4]	Asset Manager	99.99%	100.00%	187,770	73,977
Banco Bandepe S.A. [4]	Bank	100.00%	100.00%	4,408,918	378,659
Santander Leasing S.A. Arrendamento Mercantil [4]	Leasing	78.57%	99.99%	9,999,296	969,827
Aymoré Crédito, Financiamento e Investimento S.A. [4]	Financial	100.00%	100.00%	1,221,515	347,494
Santander Administradora de Consórcios Ltda. [4]	Buying club	100.00%	100.00%	4,231	173
Santander Brasil Administradora de Consórcio Ltda. [4]	Buying club	100.00%	100.00%	147,715	38,876
Santander Microcrédito Assessoria Financeira S.A. [6]	Microcredit	100.00%	100.00%	17,556	5,882
Santander Brasil Advisory Services S.A. [1] [6]	Other Activities	96.56%	96.56%	40,659	37,837
CRV Distribuidora de Títulos e Valores Mobiliários S.A. (CRV DTVM) [4] [7]	Dealer Broker	100.00%	100.00%	22,394	13,224
Santander Corretora de Câmbio e Valores Mobiliários S.A. [4]	Other Activities	99.99%	100.00%	253,076	60,353
Webmotors S.A. [6]	Holding	100.00%	100.00%	60,514	11,207
Santander Participações S.A. [1] [6] [7]	Other Activities	100.00%	100.00%	268,730	39,191
Santander Getnet Serviços para Meios de Pagamento S.A. [6]	Holding	50.00%	50.00%	26,122	12,899
Sancap Investimentos e Participações S.A. (Sancap) [2] [6]	Other Activities	100.00%	100.00%	241,716	146,248
Mantiq Investimentos Ltda [6] [9]	Holding	100.00%	100.00%	50	-
Santos Energia Participações S.A. [6] [9]	Holding	100.00%	100.00%	1,311	(144)
MS Participações Societárias S.A [6] [9]	Holding	78.35%	78.35%	15,712	397
Controlled by Sancap					
Santander Capitalização S.A. [3] [5]	Savings and annuities	-	100.00%	276,449	135,050
Controlled by Santander Advisory Services S.A.					
Santander S.A. Serviços Técnicos, Administrativos e de Corretagem de Seguros [6] [8]	Insurance		100.00%	166,876	34,469
Brazil Foreign Diversified Payment Rights Finance Company	Securitisation	-	(a)	-	-

(a) Company over which effective control is exercised and there is no equity.

(1) In Meeting held on August 26, 2011, were approved: (i) change its name Santander Advisory Services S.A. to Santander Participações SA, (ii) change the name of Santander CHP S.A. into Santander Brazil Advisory Services and (iii) amendment of its corporate purposes of both companies.

(2) Company in constitution stage.

(3) Participation transferred to Sancap through the partial spin-off of Santander Seguros (note 3.b).

(4) The adjusted stockholders' equity and the net income are in accordance with accounting practices established by Brazilian Corporate Law and standards established by the CMN, the Bacen and document template provided in the Accounting National Financial System Institutions (Cosif) and the CVM, that does not conflict with the rules of Bacen.

(5) The adjusted stockholders' equity and the net income are in accordance with the pronouncements and interpretations issued by the Accounting Pronouncements Committee (CPC) and countersigned by the National Council of Private Insurance (CNSP) and the Susep.

(6) The adjusted stockholders' equity and the net income are in accordance with accounting practices established by Brazilian Corporate Law, in conjunction to technical pronouncement of the CPC, correlated to the International Financial Reporting Standards - IFRS.

(7) In Meeting held on August 31, 2011 were approved (i) of the partial split CRV DTVM by Santander Participações, and the version of the separated part refers exclusively to the entire stake held by CRV DTVM in the capital of Santander Securities (Brasil) Corretora de Valores Mobiliarios S.A. (Santander Securities), and (ii) the merger of Securities by Santander Participações. Both cases are in the process of approval by Bacen.

(8) The Extraordinary Shareholders' Meeting held on October 29, 2010 of Real Corretora de Seguros S.A. (Real Corretora) and Santander Serviços, its shareholders approved the merger of the Real Corretora into Santander Serviços, based on their net book values at the base date of September 30, 2010.

(9) Investment acquired in 2011.

***

ANNEX A
FORM OF FINAL TERMS

Final Terms dated [ ]

Banco Santander (Brasil) S.A.

(a company incorporated under the laws of the Federative Republic of Brazil)
[acting through its principal office in Brazil]
[acting through its Grand Cayman Branch]

U.S.$10,000,000,000 Global Medium-Term Note Program

Series No: [ ]

[TITLE OF NOTES] [CURRENCY CONSTRAINT NOTES] [AND]

[SOVEREIGN EVENT NOTES] [AND] [CREDIT EVENT NOTES] DUE [ ]

Issue price: [ ]

PART A - CONTRACTUAL TERMS

[THE NOTES CONTAIN A FOREIGN CURRENCY CONSTRAINT PROVISION, AS MORE FULLY DESCRIBED IN THE CONDITIONS (AS DEFINED BELOW). SUBJECT TO THE SOVEREIGN EVENT PROVISIONS (IF APPLICABLE) AND SUBJECT TO THE CREDIT EVENT PROVISIONS (IF APPLICABLE) DURING A FOREIGN CURRENCY CONSTRAINT EVENT (AS DEFINED IN THE CONDITIONS) HOLDERS OF NOTES MAY ELECT TO EXCHANGE THE NOTES FOR AN EQUIVALENT NOMINAL AMOUNT OF EXCHANGED NOTES (AS DEFINED IN THE CONDITIONS) WITH TERMS AND CONDITIONS IDENTICAL TO THE CONDITIONS EXCEPT THAT PAYMENTS IN RESPECT OF THE EXCHANGED NOTES WILL BE MADE IN THE LAWFUL CURRENCY OF BRAZIL. AFTER THE TERMINATION OF THE FOREIGN CURRENCY CONSTRAINT EVENT EXCHANGED NOTES WILL BE EXCHANGED FOR AN EQUIVALENT NOMINAL AMOUNT OF THE NOTES AND SUCH HOLDER WILL RECEIVE FUTURE PAYMENTS IN RESPECT OF THE NOTES IN THE SPECIFIED CURRENCY. A FOREIGN CURRENCY CONSTRAINT EVENT WILL NOT BE DEEMED TO BE AN EVENT OF DEFAULT.]

[THE NOTES CONTAIN A SOVEREIGN EVENT PROVISION, AS MORE FULLY DESCRIBED IN THE CONDITIONS [(AS DEFINED BELOW)]. ON THE OCCURRENCE OF A SOVEREIGN EVENT (AS DEFINED IN THE CONDITIONS), THE ISSUER MAY ELECT TO DELIVER ON THE MATURITY DATE OR EARLIER REDEMPTION DATE, THE GOVERNMENTAL OBLIGATIONS (AS DEFINED IN THE CONDITIONS) OR *REAIS* TO THE HOLDER WHEREUPON THE ISSUER'S OBLIGATIONS IN RESPECT OF SUCH PAYMENT UNDER SUCH NOTE SHALL BE DEEMED FULLY SATISFIED AND DISCHARGED.]

[THE NOTES CONTAIN A CREDIT EVENT PROVISION, AS MORE FULLY DESCRIBED IN THE CONDITIONS [(AS DEFINED BELOW)]. ON THE OCCURRENCE OF A CREDIT EVENT (AS DEFINED IN THE CONDITIONS), THE ISSUER MAY ELECT TO DELIVER ON THE MATURITY DATE OR EARLIER REDEMPTION DATE, THE CREDIT OBLIGATIONS (AS DEFINED IN THE CONDITIONS) OR *REAIS* TO THE HOLDER WHEREUPON THE ISSUER'S OBLIGATIONS IN RESPECT OF SUCH PAYMENT UNDER SUCH NOTE SHALL BE DEEMED FULLY SATISFIED AND DISCHARGED.]

[DEALER NAME(S)]

This document constitutes the Final Terms relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Information Memorandum dated [ ] [and the supplemental Information Memorandum dated [ ]]. These Final Terms must be read in conjunction with the Information Memorandum [as so supplemented].

The issue of the Notes was authorized by [a resolution of the Board of Directors] of the Issuer dated [ ].

These Final Terms do not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of these Final Terms in any jurisdiction where such action is required.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") [AND THE NOTES COMPRISE BEARER NOTES* THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS]. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE [OFFERED OR SOLD/OFFERED, SOLD OR DELIVERED] WITHIN THE UNITED STATES [OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"))]. THESE FINAL TERMS HAVE BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES OUTSIDE THE UNITED STATES TO NON-U.S. **PERSONS IN RELIANCE ON REGULATION S [AND WITHIN THE UNITED STATES TO «QUALIFIED INSTITUTIONAL BUYERS" IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT («RULE 144A")] [AND FOR LISTING OF THE NOTES ON THE LUXEMBOURG STOCK EXCHANGE]. [PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A]. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE NOTES AND DISTRIBUTION OF THESE FINAL TERMS AND THE REMAINDER OF THE INFORMATION MEMORANDUM, SEE «SUBSCRIPTION AND SALE" CONTAINED IN THE INFORMATION MEMORANDUM.**

* In case of bearer notes, include the following language on the face of the note: "ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME **TAX** LAWS, INCLUDING THE LIMITATIONS PROVIDED **IN** SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

On the front:

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

1	Issuer:	Banco Santander (Brasil) S.A. [acting through its principal office in Brazil/acting through its Grand Cayman Branch]
2	[(i)]Series Number:	[ ]
	[(ii) Tranche Number:	[ ]
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]	
3	(i) Specified Currency or Currencies (Condition 1(d)):	[ ]
	(ii) Specified Principal Payment Currency if different from Specified Currency (Condition 1(d)):	[ ]
	(iii) Specified Interest Payment Currency if	[ ]

	different from Specified Currency (Condition 1(d)):	
4	Aggregate Nominal Amount:	
	(i) Series:	[ ]
	(ii) Tranche:	[ ]
5	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (*in the case of fungible issues only*, *if applicable*)
6	(i) Specified Denominations (Condition 1(b)):	[ ][1]
	(ii) Tradable Amount:	[ ]
		So long as the Notes are represented by a temporary Global Note or permanent Global Note, the Notes will be tradable only in principal amounts of at least the Specified Denomination and integral multiples of the Tradable Amount in excess thereof
7	(i) Issue Date (Condition 5(III)):	[ ]
	(ii) Interest Commencement Date: (if different from the Issue Date):	[ ]
8	Maturity Date or Redemption Month (Condition 6(a)):	*[specify date or (for Floating Rate Notes) Specified Interest Payment Date falling in the Redemption Month]*
9	Interest Basis (Condition 5):	[Fixed Rate (Condition 5(I))] [Floating Rate (Condition 5(II))] [Zero Coupon (Condition 5(IV))] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
10	Redemption/Payment Basis (Condition 6(a)):	[Redemption at par] [Index Linked Redemption (*specify*)*]* [Dual Currency (*specify*)] [Partly Paid (*specify*)] [Installment (*specify*)] [Other (*specify*)]
11	Change of Interest or Redemption/Payment Basis:	*[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12	Put/Call Options (Conditions 6(e) and (f)):	[Noteholder Put]

[1] Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA and which have a maturity of less than one year must have a minimum denomination of £100,000 (or its equivalent in other currencies).

	[Issuer Call]
	[N/A]
	[(further particulars specified below)]
13 Status of the Notes (Condition 3):	[Senior] [*Specify status if different from Condition 3*]
14 Method of Distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15 Fixed Rate Note Provisions	[Applicable/N/A]
(Condition 5(I)):	(*If N/A, delete the remaining sub-paragraphs of this paragraph*)
(i) Rate(s) of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/weekly/daily] in arrear]
(ii) Interest Payment Date(s):	[ ] [in each year]
(iii) Fixed Coupon Amount(s):	[ ] per lowest Specified Denomination
(iv) Broken Amount(s):	*[Insert particulars of any initial or final broken interest amounts]*
(v) Day Count Fraction	[ ]
(Condition 5(III)):	(*Day count fraction should be Actual/Actual-ISMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise requested*)
(vi) Determination Date(s)	
(Condition 5(III)):	*[Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative) in each year - only to be completed for any issue where day count fraction is Actual/Actual-ISMA*]
(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[N/*A/give details*]
16 Floating Rate Note Provisions	[Applicable/N/A]
(Condition 5(II)):	(*If N/A, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate for euro denominated issues*)
(i) Interest Period(s)/Specified Interest Payment Dates:	[ ]
(ii) Business Day Convention (Condition 5(III)):	[Floating Rate Business Day Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/Other (*give details*)*]*
(iii) Additional Business Centre(s) (Condition 5(III)):	[ ]
(iv) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/ other (*give details*)]

(v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[ ]
(vi) Screen Rate Determination (Condition 5(II)(b)(i)):	[Applicable/N/A]
• Interest Determination Date(s) (Condition 5(III)):	[ ]
• Reference Rate:	[ ]
• Reference Screen Rate:	[ ]
(vii) ISDA Determination (Condition 5(II)(b)(ii)):	[Applicable/N/A]
• Floating Rate Option:	[ ]
• Designated Maturity:	[ ]
• Reset Date:	[ ]
• ISDA Definitions(if different from those set out in the Conditions):	[ ]
(viii) Margin(s):	[+/-] [ ] per cent. per annum
(ix) Minimum Rate of Interest:	[ ] per cent, per annum
(x) Maximum Rate of Interest:	[ ] per cent. per annum
(xi) Day Count Fraction (Condition 5(III)):	[ ]
(xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions(Condition 5(II)(b)):	[ ]
(xiii) Relevant Financial Centre:	[ ]
17 Zero Coupon Note Provisions (Conditions 5(IV) and 6(d)):	[Applicable/N/A] (*If N/A, delete the remaining sub-paragraphs of this paragraph*)
(i) Amortization Yield:	[ ] per cent. per annum
(ii) Reference Price:	[ ]
(iii) Basis:	[Straightline/Compounded at [*specify*] interval]
(iv) Day Count Fraction (Condition 5(III)):	[ ]
(v) Any other formula/basis of determining amount payable:	[ ]
18 Index Linked Interest Note Provisions:	[Applicable/N/A] (*If N/A, delete the remaining sub-paragraphs of this paragraph - **if applicable, complete terms MUST be set out in these Final Terms***)
(i) Index/Formula:	[*Give or annex details*]
(ii) Calculation Agent responsible for calculating	[ ]

	the interest due:	
	(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[ ]
	(iv) Interest Period(s)/Specified Interest Payment Dates:	[ ]
	(v) Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/other (*give details*)]
	(vi) Additional Business Centre(s) (Condition 5(III)):	[ ]
	(vii) Minimum Rate of Interest:	[ ] per cent. per annum
	(viii) Maximum Rate of Interest:	[ ] per cent. per annum
	(ix) Day Count Fraction (Condition 5(III)):	[ ]
19	Dual Currency Note Provisions:	[Applicable/N/A] (*If N/A, delete the remaining sub-paragraphs of this paragraph* - ***if applicable, complete terms MUST be set out in these Final Terms***)
	(i) Rate of Exchange/Method of calculating Rate of Exchange:	[Give details]
	(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[ ]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[ ]
	(v) Day Count Fraction(Condition 5(III)):	[ ]
	PROVISIONS RELATING TO REDEMPTION	
20	Call Option (Condition 6(e)):	[Applicable/N/A] (*If N/A, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[ ]
	(ii) Optional Redemption Amounts(s) and method, if any, of calculation of such amount(s):	[ ]
	(iii) Description of any other Issuer's option:	[ ]
	(iv) If redeemable in part:	
	Minimum nominal amount to be redeemed:	[ ]

	Maximum nominal amount to be redeemed:	[ ]
	(v) Notice period (if other than as set out in the Conditions):	[ ]
21	Put Option (Condition 6(f)):	[Applicable/N/A] (*If N/A, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[ ]
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[ ]
	(iii) Description of any other Noteholders ' option:	[ ]
	(iv) Deposit period (if other than as set out in the Conditions):	[ ]
	(v) Notice period (in respect of deposit period):	[ ]
22	Final Redemption Amount:	[Nominal amount/Other/See Appendix]
	(i) Alternative Payment Mechanism (Conditions 7(a) and (b)):	[Applicable/N/A]
	(ii) Long Maturity Note (Condition 7(e)):	[Applicable/N/A]
23	Early Redemption Amount:	
	(i) Early Redemption Amount(s) payable on redemption for taxation reasons (Condition 6(c)) or on an Event of Default (Condition 9) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[ ]
	(ii) Original Withholding Level (Condition 6(c)):	[ ]
	(iii) Unmatured Coupons to become void (Condition 7(e)):	[Yes/No/N/A]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	Form of Notes:	[Bearer Notes/Registered Notes] *[delete as appropriate]*
		Bearer Notes
	(i) Temporary or Permanent Global Note:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Bearer Notes in the limited circumstances specified in the Permanent Global Note] [Permanent Global Note exchangeable for definitive Bearer Notes in the limited circumstances specified in the Permanent Global Note]
	(ii) Permanent Global Note in respect of Exchanged Notes (Condition 15):	[Yes/N/A]
	(iii) Exchange Date in respect of Temporary Global Note:	[*N/A/specify date*]
	(iv) Applicable TEFRA exemption:	[C Rules/D Rules/N/A]

	Registered Notes
(v) DTC Global Notes, International Global Note Certificates or individual Definitive Registered Notes:	[DTC Restricted Global Note and/or [DTC Unrestricted Global Note/ International Global Note Certificate] available on Issue Date] [Individual Definitive Registered Notes available on Issue Date]
25 Additional Financial Center(s) (Condition 7(a)(iii)) or other special provisions relating to payment dates:	*[N/A/Give details. Note that this item relates to the place of payment, and not interest period end dates, to which item 17(iii) relates]*
26 Talons for future Coupons to be attached to definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27 Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[N/A/give details] (*If applicable, complete terms MUST be set out in these Final Terms*)
28 Details relating to Installment Notes:	[N/A /give details] (*If applicable, complete terms MUST be set out in these Final Terms*)
29 Redenomination, renominalization and reconventioning provisions:	[N/A/The provisions annexed to these Final Terms apply]
30 Consolidation provisions:	[N/A/The provisions annexed to these Final Terms apply]
31 Foreign Currency Constraint Provisions applicable (Condition 15(a)) - subject to Sovereign Event provisions, if applicable (Condition 15(b) and Credit Event provisions if applicable (Condition 15(c)):	[Yes/No]
32 Sovereign Event Provisions applicable (Condition 15(b)):	[Yes/No]
(i) Governmental Obligations:	[Not specified/Specified as follows:]
(ii) Delivery information to be provided in Transfer Notice:	[ ]
(iii) Other terms:	[N/A/give *details*]
33 Credit Event Provisions applicable (Condition 15(c)):	[Yes/No]
(i) Credit Obligations:	[Not specified/Specified as follows:]
(ii) Reference Obligor:	[N/A/Specified as follows:]
(iii) Delivery information to be provided in Transfer Notice:	[ ]
(iv) Other terms:	[N/*A/give details]*
34 Other terms or special conditions:	[N/*A/give details]*
DISTRIBUTION	
35 (i) If syndicated, names of Managers:	[N/*A/give names]*
(ii) Stabilising Manager (if any):	[N/*A/give name]*

	(iii) Commissions and Concessions:	[ ]
36	If non-syndicated, name of Dealer:	[N/*A/give name]*
37	Additional selling restrictions:	[N/A/*give details]*

[LISTING APPLICATION

These Final Terms comprise the details required to list the issue of Notes described herein pursuant to the listing of the U.S.$10,000,000,000 Global Medium-Term Note Program of Banco Santander (Brasil) S.A. (acting through its principal office in Brazil or through its Grand Cayman Branch).

MATERIAL ADVERSE CHANGE STATEMENT

There has been no significant change in the financial or trading position of the Issuer and its subsidiaries (taken as a whole) since *[insert date of last audited accounts or interim accounts* (*if later*)*]* and no material adverse change in the financial position or prospects of the Issuer and its subsidiaries (taken as a whole) since *[insert date of last published annual accounts*].

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms which, when read together with the Information Memorandum referred to above, contain all information that is material in the context of the issue of the Notes.

Signed on behalf of the Issuer:

By: ________________________

Duly authorized signatory

PART B - OTHER INFORMATION

DISTRIBUTION

1 LISTING

(i) Listing:	[London/Luxembourg/other (specify)/None]:
(ii) Admission to trading:	[Application has been made for the Notes to be admitted to trading on the [Euro MTF Market/Other (specify)] with effect from [ ].] [Not Applicable.]
(iii) Estimate of total expenses related to admission to trading:	[ ]

2 RATINGS

Ratings:	The Notes to be issued have been rated: [S&P:[ ]] [Moody's: [ ]] [[Other]: [ ]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Program generally or*, *where the issue has been specifically rated*, *that rating.*)
Rating agencies:	[*[Insert credit rating agency]* is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.] [*[Insert credit rating agency]* is established in the European Union and is registered under Regulation (EC) No. 1060/2009.] [*[Insert credit rating agency]* is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009.] [*[Insert credit rating agency]* is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. However, the application for registration under Regulation (EC) No. 1060/2009 of *[insert the name of the relevant EU CRA affiliate that applied for registration]*, which is established in the European Union, disclosed the intention to endorse credit ratings of *[insert credit rating agency]*.] [*[Insert credit rating agency]* is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. The ratings [[have been]/[are expected to be]] endorsed by *[insert the name of the relevant EU-registered credit rating agency]* in accordance with Regulation (EC) No. 1060/2009. *[Insert the name of the relevant EU-*

	registered credit rating agency] is established in the European Union and registered under Regulation (EC) No. 1060/2009.]

3 [NOTIFICATION

The [include name of competent authority in EEA home Member State] [has been requested to provide/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Program and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

5 [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i)	Reasons for the offer	[ ] (*See* ["*Use of Proceeds"] wording in Information Memorandum — if reasons for offer different from making profit and/or hedging certain risks, will need to include those reasons here.*)]
[(ii)]	Estimated net proceeds:	[ ] (*If proceeds are intended for more than one use, will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)
[(iii))	Estimate of total expenses:	[ ] [*Include breakdown of expenses.*] (*Only necessary to include disclosure of net proceeds and total expenses at* (*ii*) *and* (*iii*) *above where disclosure is included at* (*i*) *above.*)] *[Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies*]

6 [Fixed Rate Notes only - YIELD

Indication of yield:	[ ] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7 [Index Linked or other variable-linked Notes only - PERFORMANCE OF INDEX/FORMULA/ OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if *composed by the Issuer and if the index is not composed by the Issuer, need to include details of where the information about the index can be obtained. Where the underlying is not an index, need to include equivalent information.]*

8 [Dual Currency Notes only - PERFORMANCE OF RATE[S] OF EXCHANGE

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.] *[Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies]*

9 OPERATIONAL INFORMATION

ISIN Code:	[ ]
Common Code:	[ ]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s):	[Not Applicable/give name(s) and number(s) [and addresses])]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[ ]

10 GENERAL

Applicable TEFRA exemption:	[C Rules/D Rules/Not Applicable]

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