

GRUPO SANTANDER BRASIL

Integration for Leadership

São Paulo, October 31, 2008

Retail

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- The Retail Banking Market in Brazil
- Grupo Santander Brasil's Positioning
- Strategy 2008 - 2010
- Conclusions

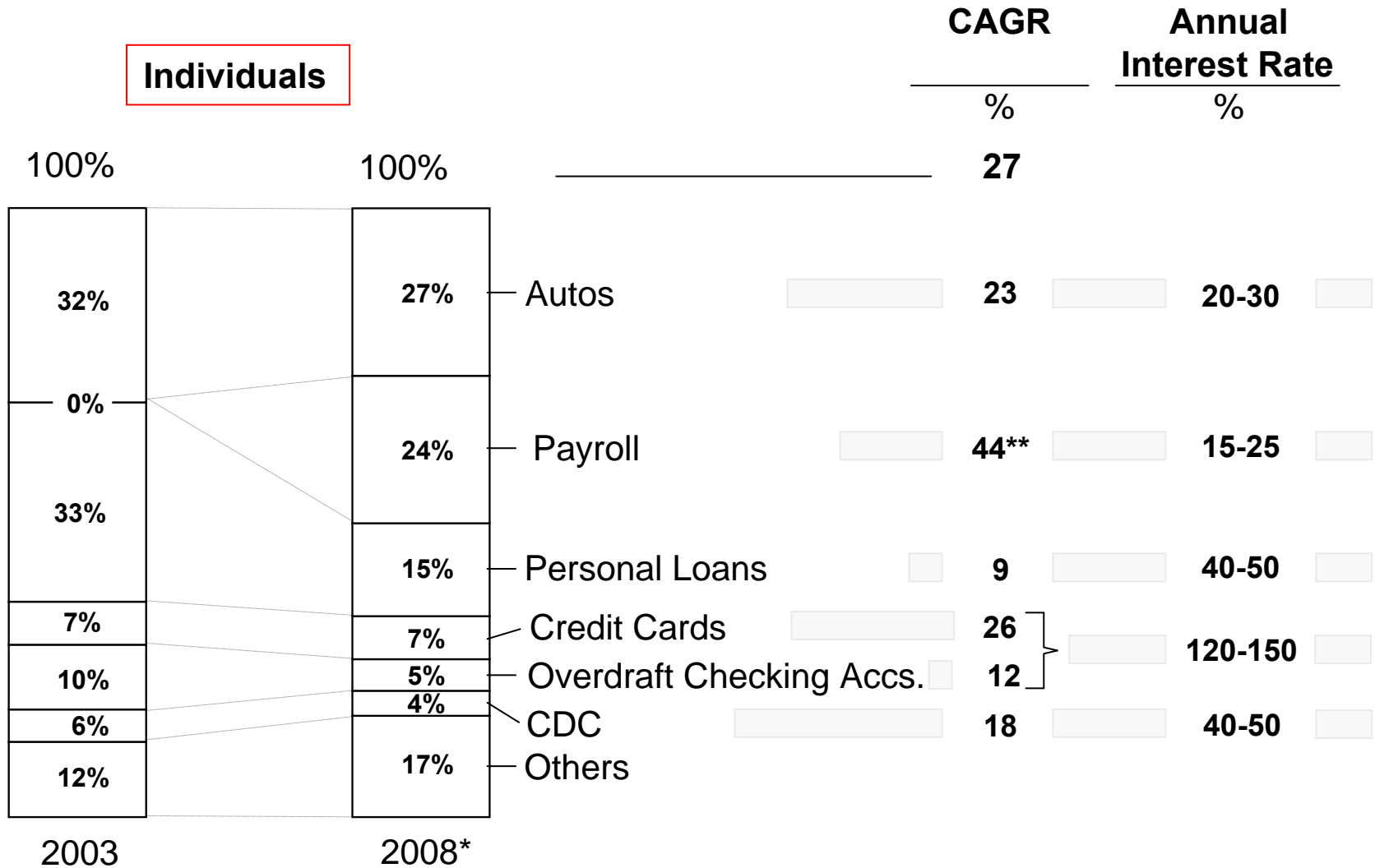
The banking market in Brazil has developed at high growth rates

	2003	2008	Annual growth rate
Number of Current Accounts (millions)	61.4	77.1*	6%
Number of branches ('000)	14.8	16.4	2%
Number of credit cards (million)	45	107	19%
Number of insurance policies (millions)	104	400*	40%

* 2007

Sources: BACEN, ABECS, Febraban, Fenaseg

The Brazilian market already offers a diversity of loan products, within a broad price range



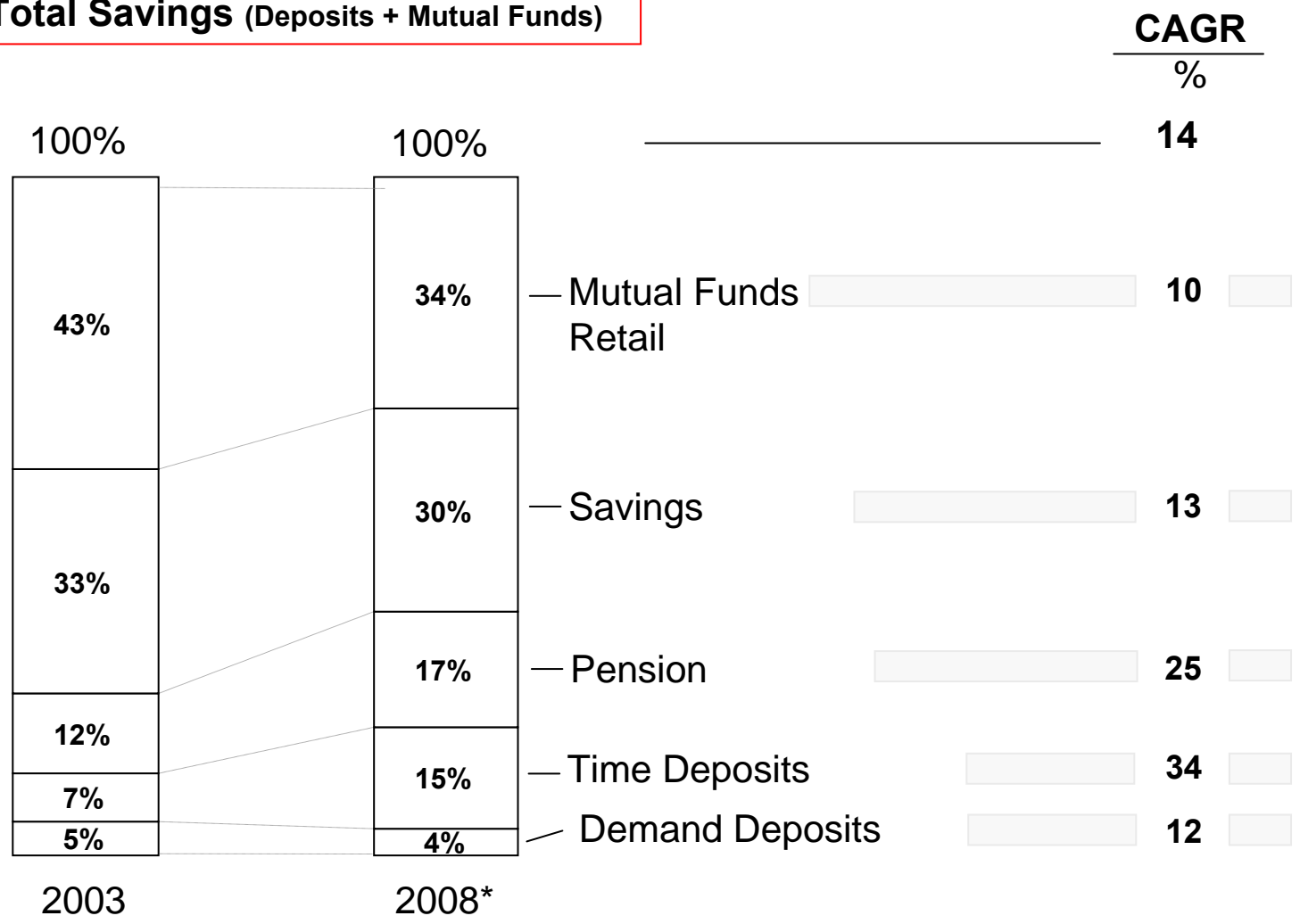
* August/08

** 2004-2008

Source: BACEN

Growth Savings driven by time deposits and pension funds 6

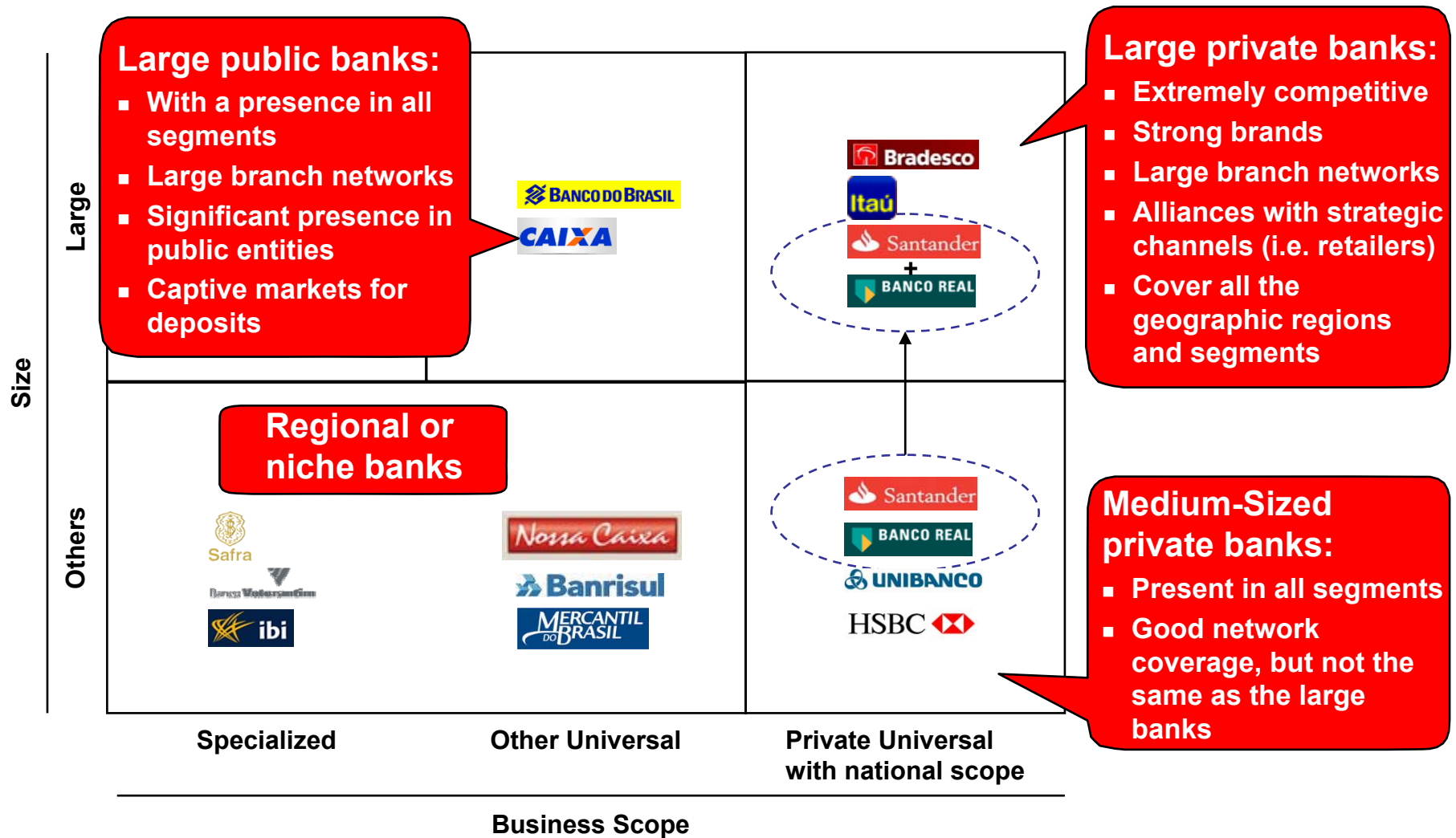
Total Savings (Deposits + Mutual Funds)



* August/08
Source: BACEN



There are four distinct groups of retail banks in the Brazilian market



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The new bank has a strong starting point

Examples

9

3,551
Points
of Sale

2,042
Branches

1,509
PAB's¹

2,511
Eletronic
Points

17,978
ATMs

More than 8 million active
current account holders

29% market share
in the high Income segment

More than 1,500 banking
service points in companies

Strength in
payroll accounts

Fourth largest in the Credit
Card Market

12% market share in
credit card loan volume

R\$ 23 billion portfolio
financed with Aymoré

18% market share in
auto loans

Leader in Payroll Loans
among the
private banks

Focus on the more
profitable segments

1) Banking Service points

The two banks have complementary strengths



Branch Network

- Concentration in São Paulo (619 branches) and the southern region (152)

- Extensive branch network in the southeast (780), and an important presence in the northeast (160)

Segments

- Strength in the Middle-Income and Public Employee segments

- Strength in High Income and SMEs

Business

- High growth in the credit card business (+2.5 pp of market share in 3 years) and payroll
- High penetration in insurance among current account holders (Life - 30%)

- 12% of market share in auto loans (CDC + leasing)
- High penetration in personal loans among current account holders

Competitive Differential

- Innovation in products, solid international brand
- Focus on commercial productivity

- Customer satisfaction
- Focus on customer relationships

Well structured organization, capable of implementing the Retail's strategy ¹¹

Retail (José Paiva)

Commercial Units

Santander Network
(Pedro Coutinho)

Real Network
(Wagner Ferrari)

Other Channels
(Ramón Sanchez)

Segment Units

Individual (Armando Pompeu)

SMEs (Ede Viani)

Private Bank (Francisco Di Roberto)

Product Units

Individuals Products (Nilo Carvalho)

Credit Cards (Nuno Matos)

Autos (Félix Cardamone)

Asset Management (Luciane Ribeiro)

Mortgages (José Roberto Machado)

Insurance (Gilberto Abreu)

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We aspire to be the best Retail bank in Brazil



We are certain about the bank we are building

➤ To be the **number one bank** for our clients, concentrating on transactions

➤ Focus on the **high and middle-income** segments

➤ **Network as the main distribution channel**, integrated with the other channels

➤ Differentiated from the competition due to its **proximity** to clients, focus on **execution** and high commercial **productivity**

Our plan contemplates both external and internal conditions



Focus on branch customers: Linkage, Retention and Acquisition

Individual and SMEs

Linkage

- Client Profitability – Basic Offer
- By segment and level of loyalty – CRM
- Concentration on transactions

+

Retention

- Linkage of new clients
- Management of Warnings – CRM
- Automatic Debit
- Range of Transactions

+

Acquisition

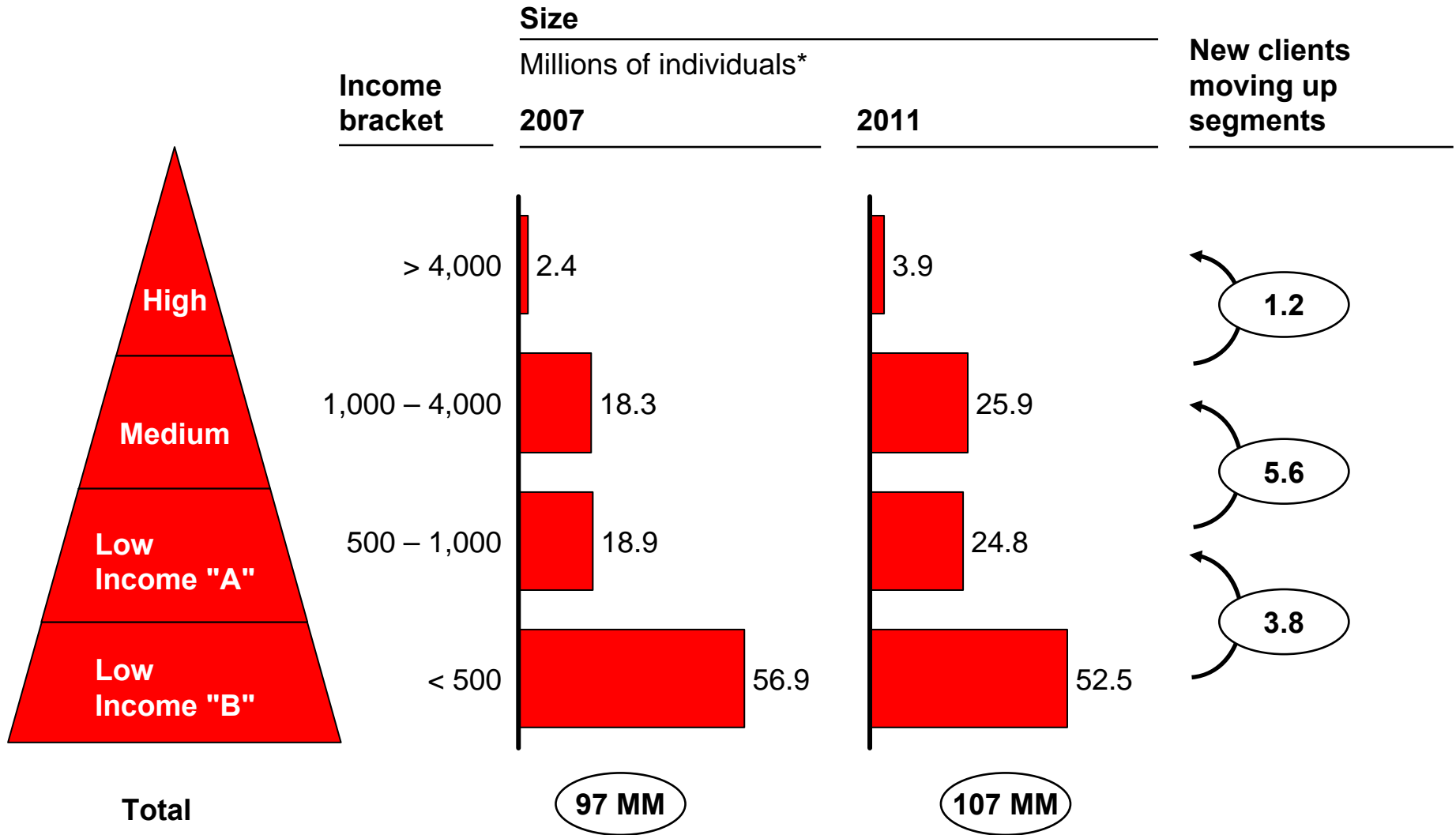
- Branch Network
- Payroll
- Synergies with GBM and Corporate
- “One product client”

**Be the number one bank
for our clients**

**The best client is the
current client**

**Focus on High and
Middle-Income
segments**

High social mobility will be the main factor behind the growth in the banking sector



* Potential customers, over 18

Sources: Economic Research, IBGE, Santander Brasil

We have the opportunity to grow revenue by adopting best practices

PENETRATION RATES

Examples

	<u>Santander Brasil</u>	<u>Banco Real</u>
Insurance	~50%	~5%
Credit Card	~45%	~60%
CDB*	~7%	~15%
Pension*	~14%	~8%

* high Income

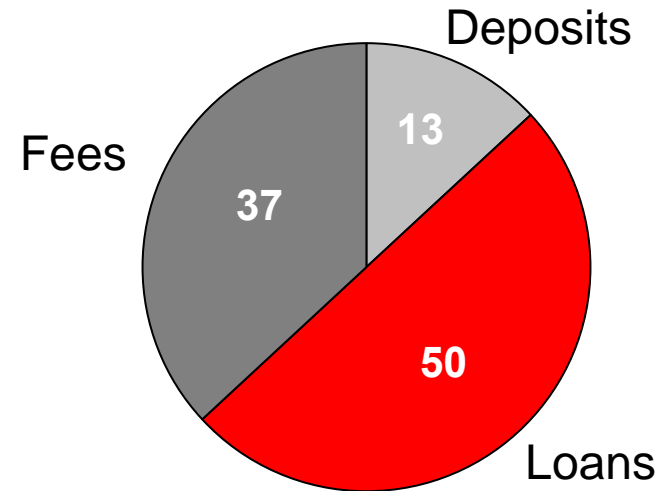
As a result, we are projecting robust and healthy growth over the next few years

Annual Growth 2008-10

Credit Volume	15-20%
Savings Volume	15-20%
Individual Customer Base	≈ 6%
SMEs	≈ 14%
Customer Revenue	≈ 15%

Breakdown of customer revenue

2010, %



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- ✓ The Brazilian **market will continue to grow**, supported by the high level of social mobility
- ✓ Together, Santander and Real have a strong **starting point**, with complementary characteristics
- ✓ We already have a **structured and qualified organization** to implement the strategy
- ✓ We are **clear about our strategy** and have built a **plan to** implement it
- ✓ The **opportunities for the** new bank are based on the new **critical mass**, market conditions and the **best internal practices**
- ✓ As a result of our new strategy we expect to attain **an annual growth in financing and deposits of approximately 15-20%**, leading to an annual increase in **retail revenue of close to 15%**

