GRUPO SANTANDER BRASIL

Integration for leadership

São Paulo. 31 October 2008

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Santander

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Introduction

Our Portfolio Management principles

Why invest in Brazil

Why we are comfortable with Brazil representing 20% of our portfolio / earnings

Financials / Guidance

Summary / outlook for SAN

Introduction

Our goal as a Group:

To deliver long term, high quality, recurrent profit growth…

… profit growth 5% above our competitors in any cycle

What does “high quality growth” mean?

P&L Quality: Good **“vertical quality”:**
Bottom line growth driven by customer activity; higher quality P&L lines (e.g., customer NII, fees) are the main growth drivers

P&L Quality: Good **“horizontal quality”:**
All units contributing to bottom line growth

Balance sheet quality:
We have never chosen to compromise future growth by relaxing risk standards

Customer Service Quality: Some banks feel the temptation to trade customer satisfaction (i.e., long term franchise value) for short-term profits.

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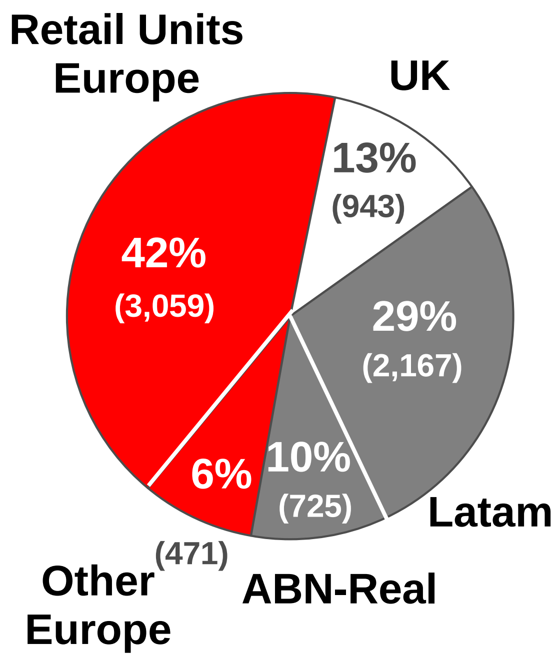
Our principles:

1. A “diversified growth” business portfolio
2. Good balance between mature and emerging markets
3. “Vertical Strategy”
4. “Natural owner”
5. Conservative Balance-Sheet management

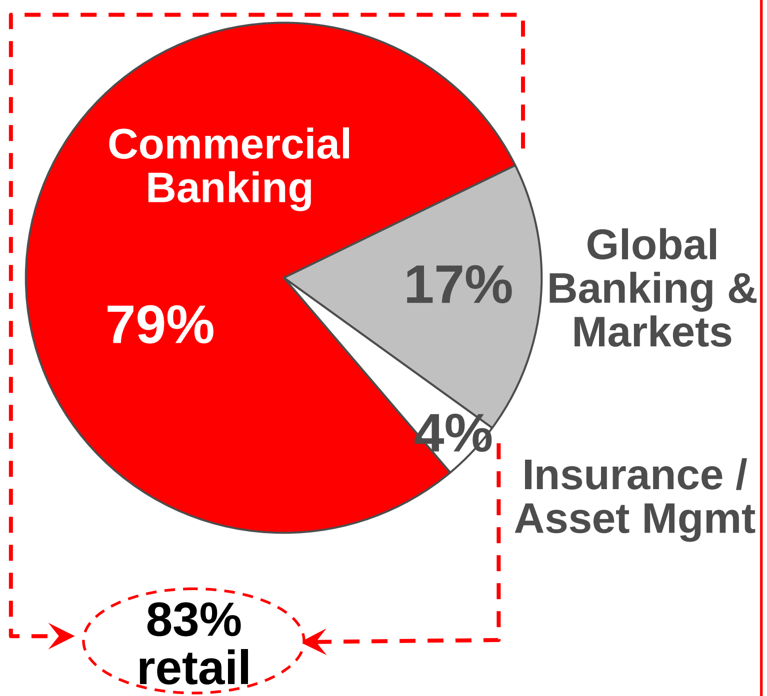
1 A "diversified growth" business portfolio

Principal Segments Attributable profit Proforma*

EUR Mill. and %



Business Areas Profit before Taxes- proforma

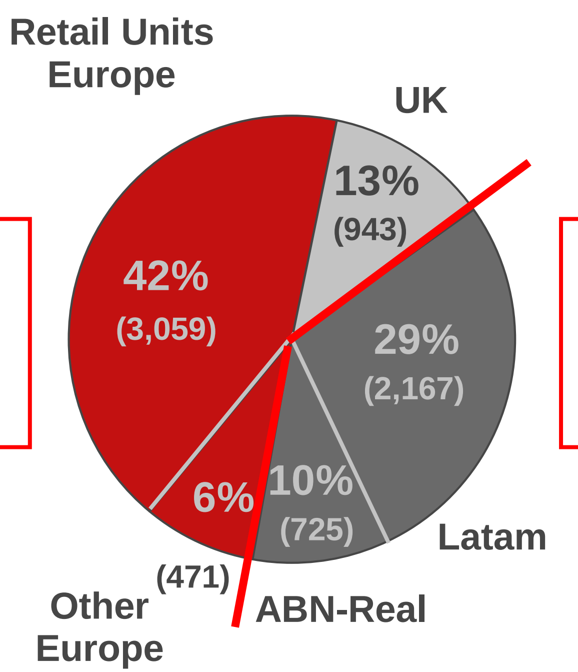


(*) Operating areas attributable profit + ABN Real (accounted for by the equity method in Financial Management and Equity Stakes): EUR 7,365 mill.

2 With a good balance between mature and emerging markets…

Principal Segments

EUR Mill. and %

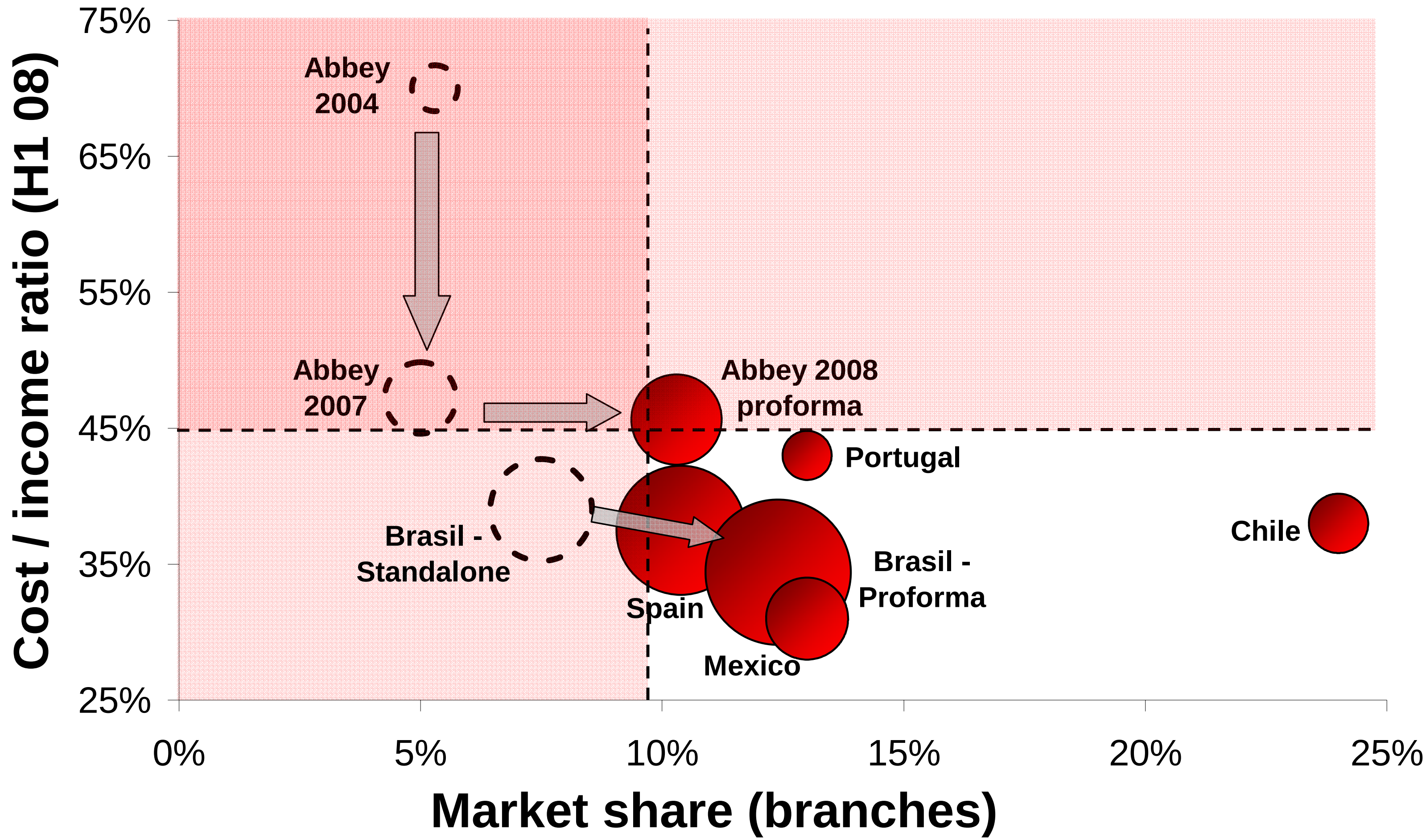


60% Mature

40% Emerging

… and we are one of the few international banks with a significant presence in a "BRIC" country

Strong positions / critical mass in a limited number of attractive markets to obtain competitive efficiency levels

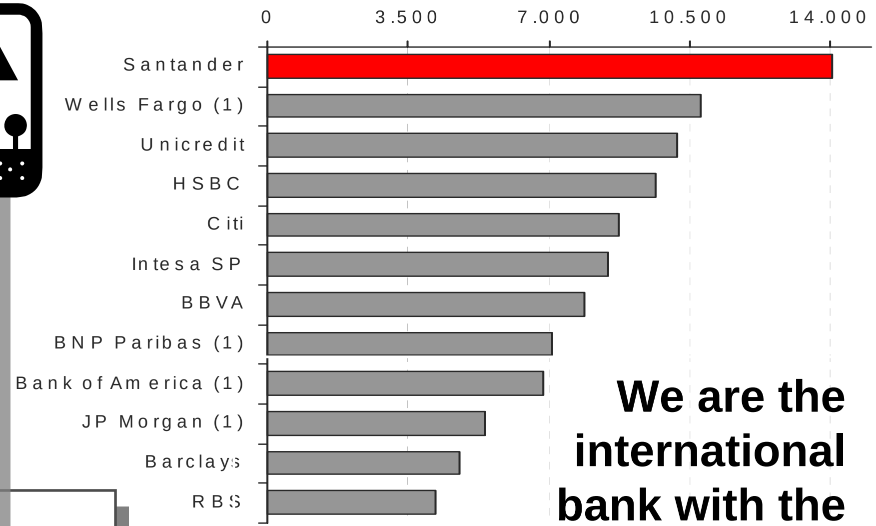


4 “Natural Owner”

“Natural Owner” means:

Businesses we perfectly know how to manage (where we can create value)…

… in markets we know well



We are the international bank with the largest branch network

The market recognises us a “Natural Owners” of:

✓Retail and Commercial banks

✓Branch based / focused on distribution

✓In our “home markets” (Europe / America)

Our philosophy:

Expand the “front”

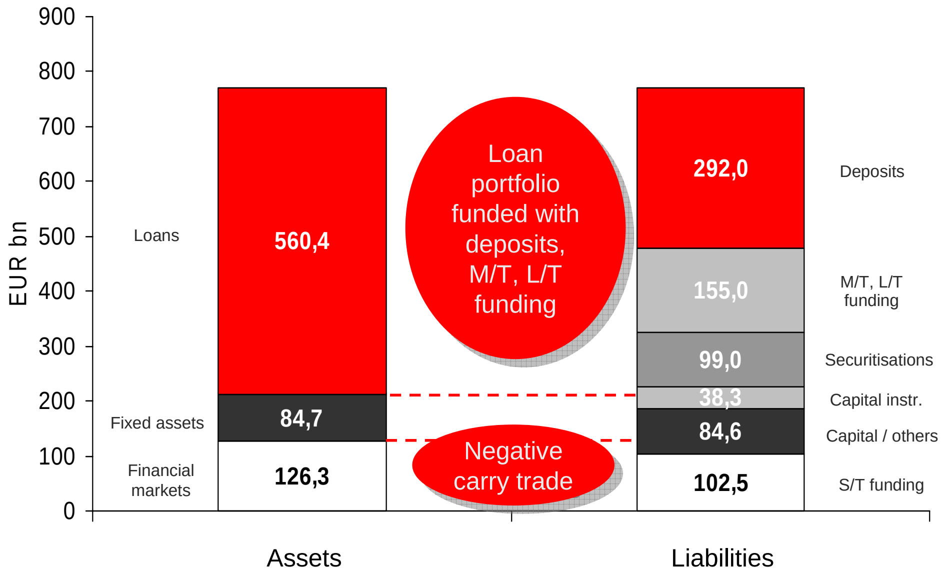
Cut the “back”

5 Conservative Balance Sheet management

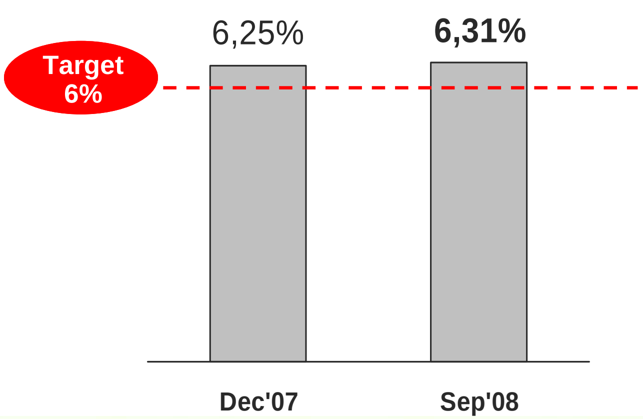
- Low liquidity risk
- Strong capital base
- Sound credit policies and monitoring
- Disciplined international expansion

i.e., a low risk portfolio

Group- 30/06/08



Santander: Core capital



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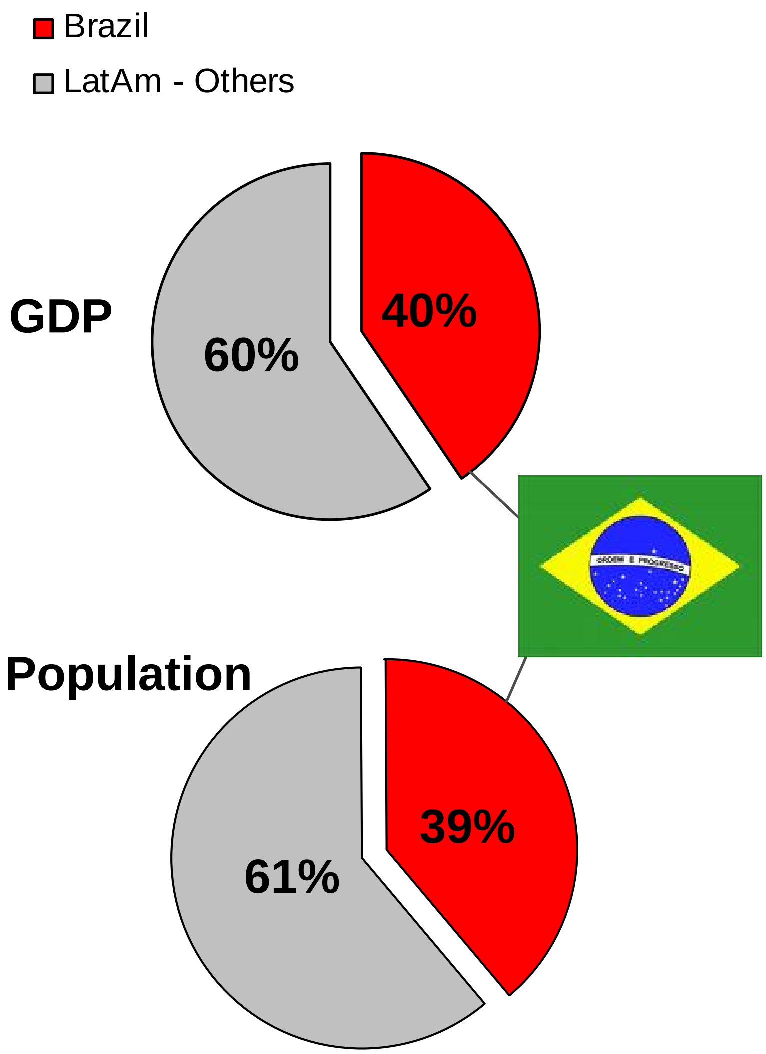
Why invest in Brazil?

1. Largest market in LatAm

2. Risk profile has changed / no way back

3. Banco Real fits well in our portfolio

1 Brazil is the largest market in Latin America

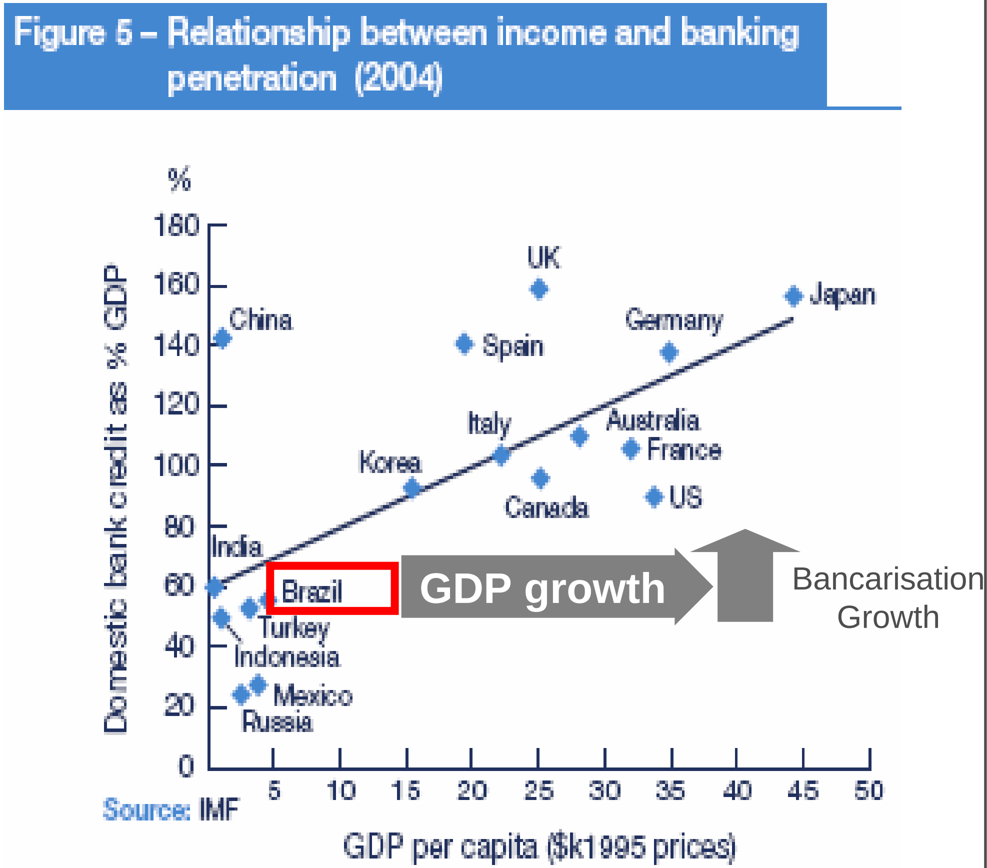


- 40% of LatAm in terms of GDP ($ 1.3tr) and Population (189mn)
- Top 10 economy in the World
- Good demographical profile, labour force over 100 mn people and low unemployment
- Natural resources only partly explored
- Less volatility in GDP growth and inflation

You can not have a leading franchise in LatAm without a strong presence in Brazil

LatAm – Others:
Argentine, Bolivia, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela
Source: IMF

1 … with significant potential to improve bancarisation



- Low banking penetration on debt and deposits on GDP.
- Rise of the middle class and neccesary reduction in inequality of income distribution.
- Regulatory steps to ease access to banking products.

2 Risk profile has changed, and this time there is no way back

Why is this time different?

A virtuous circle out of policy improvement and commodity prices leads to the development of local capital markets

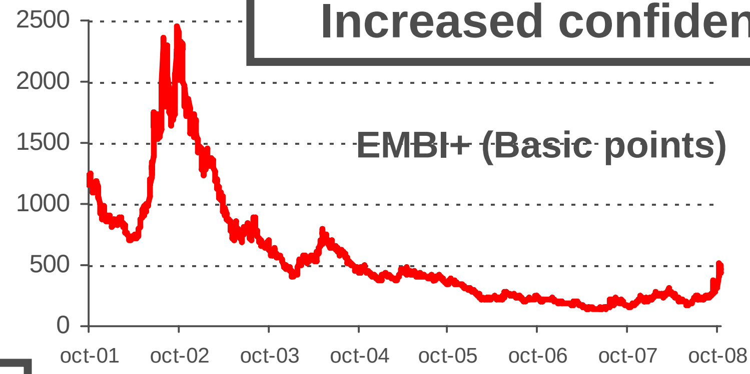
Increased confidence

- **Debt issuance**
  - **Local denominated**
  - **Long term maturities**
  - **Fixed rates**
  - **Long yield curve**

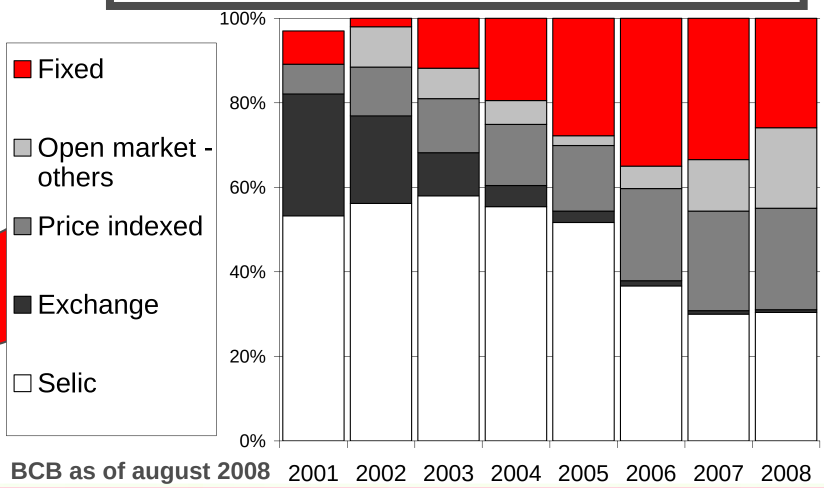
- **Reliance on domestic saving**
  - Current account surplus
  - Primary Fiscal surplus
- **Floating exchange rates**
  - competitive adjustments if required
- **Independent monetary policy**
  - Sucessful fight against inflation

Brazil's virtuous circle

Increased confidence

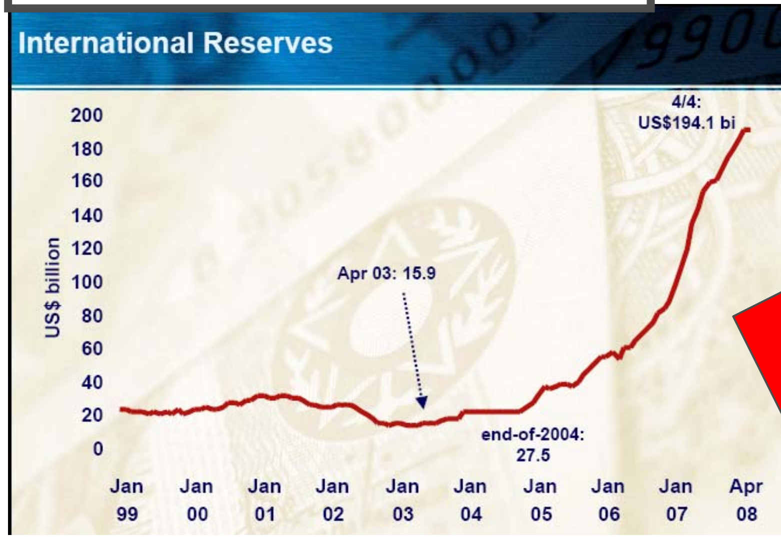


Debt issuance



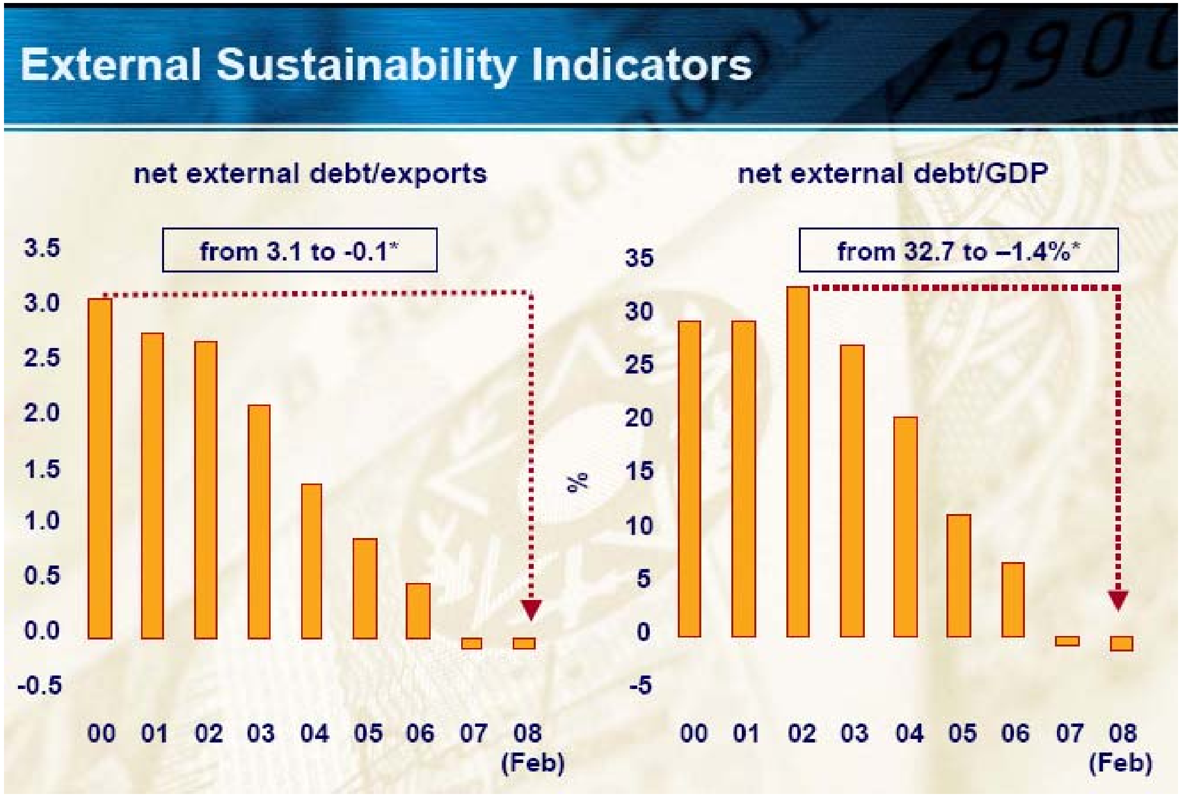
BCB as of august 2008

■ Solid fundamentals



Risk profile has changed, and this time there is no way back

Therefore, Brazil is in a more sustainable financial position:



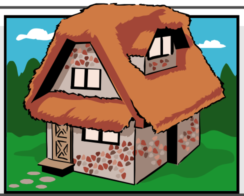
- Increase in fiscal orthodoxy
- Increase in monetary orthodoxy
- Terms of trade
- Higher market confidence = longer debt durations (= virtuous cycle)
- Development of a yield curve = higher durations, development of some businesses (e.g., mortgage market)
- This has led to investment grade status

In summary, the "growth multiplier" in Brazil seems to us more attractive than in most emerging markets…

3 Banco Real perfectly fits with our portfolio

Real is a bank that fits with our business model

Santander is a "natural owner" of:	Banco Real
Retail and commercial banks	Real's core business is retail / commercial banking
Branch-based / focus on distribution	Adds c.2000 branches, c.10.000 ATM's…
With strong customer bases	Good customer franchise…
Stable deposit bases	…with R$ +60bn deposits!
Where we can create value	In-market synergies
In markets that we know well / with growth potential	LatAm is one of our core markets



3 Banco Real perfectly fits with our portfolio

Good fit with Santander Brasil

Excellent geographical fit

Low product / customer overlap

Good fit in our Group

Retail Spain	Retail Portugal	Retail UK	…	Retail Latam

Wholesale

Consumer finance

Cards

Asset Management

Insurance …

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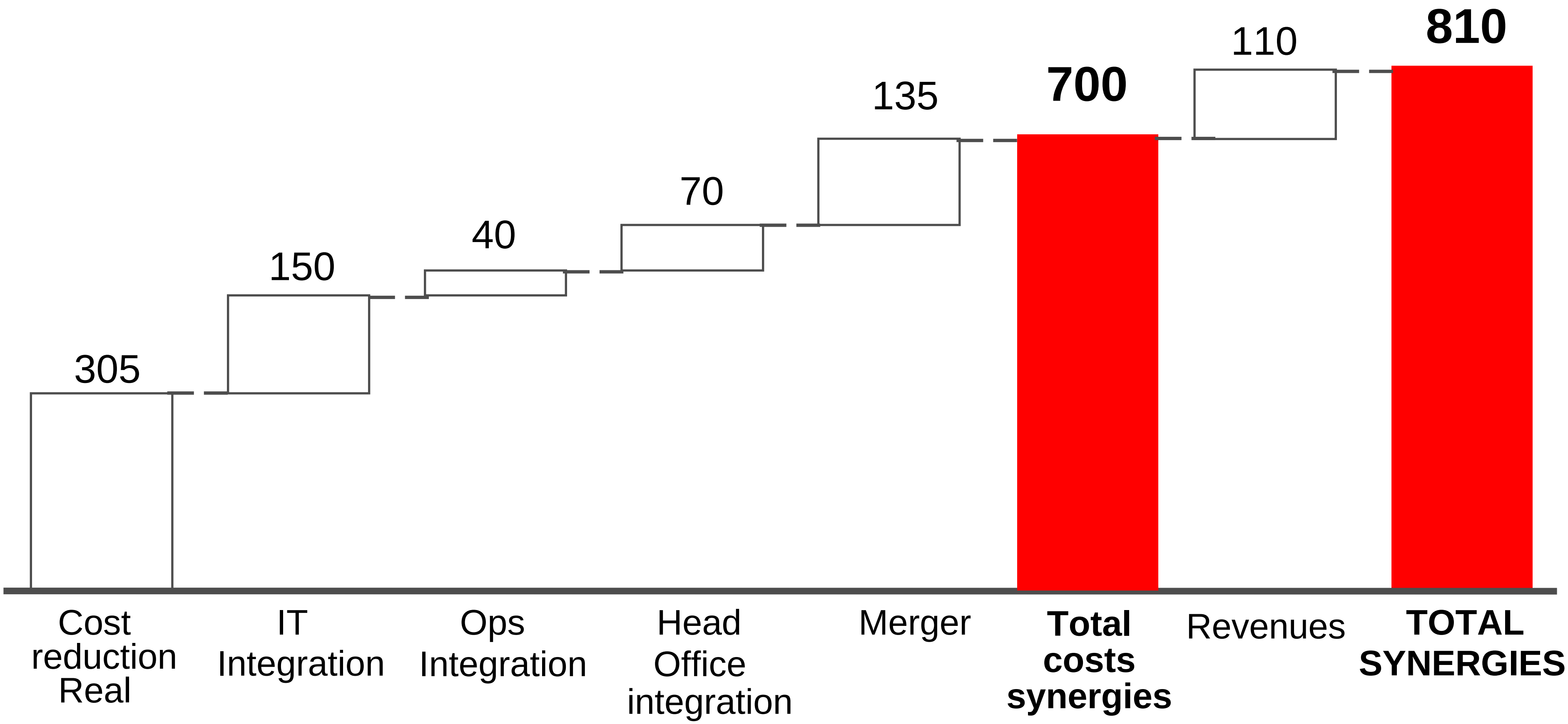
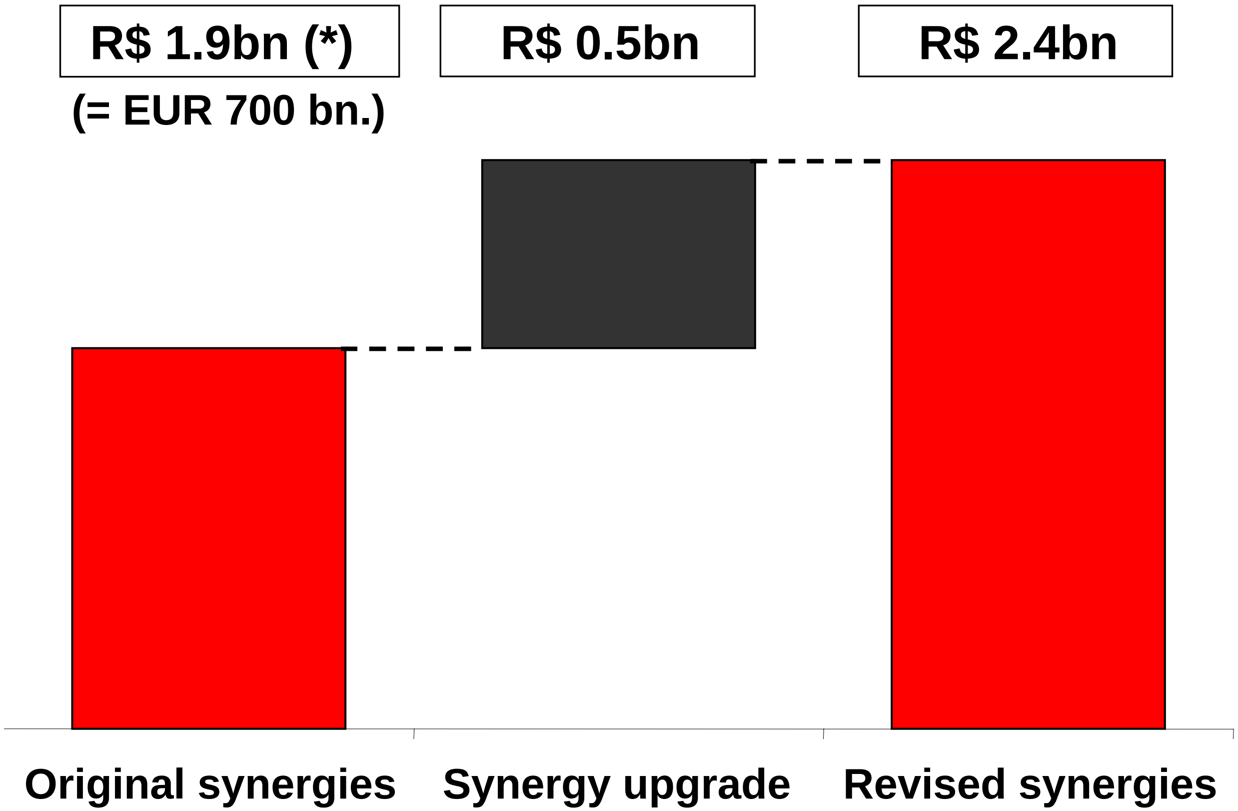
At the time of the ABN Amro transaction, we announced EUR 810 million in pre-tax synergies

EUR Million



This was a previous "educated estimate" from the outside
We have now developed a better assessment of the potential

We have upgraded our cost synergy estimate



(*) R$ 1.9bn equivalent to EUR 700m (May 07 exchange rates)

Cost synergies upgraded from 18% to 22% of proforma combined 2006 costs

We expect the following business dynamics…

Healthy revenue growth: significant increase in customer base and business volumes

Flat margins, through increased revenue by customer (linkage + cross-selling) and change in business mix.

Improved efficiency: Flat costs, with cost synergies exceeding those initially announced and absorbing incremental investments (commercial capacity)

- Expected "jaws": 15pp (vs competitors' 4pp)

Natural **increase in credit provisions**… but our risk appetite will continue to be low

Increased capital generation

…that translate into our detailed Business Plan 2008-2010:

Targets 2008-2010

% growth in Brazilian Reales

- Businesses: 15-20% CAGR
- Customer revenues: ≅15% CAGR
- Expenses: < 0% in 2009 and 2010
  Cost synergies*: R$ 2,400 mln.
- Provisions: growing in line with the lending portfolio and the business mix

(*) Cost synergies in 2011

Attributable profit: >25%
CAGR 08-10

We expect a R$ 7.9bn net profit (for both banks combined) in 2010

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- We are going to **reach / surpass the goals** we exposed in the ABN – Banco Real acquisition
- Brazil is an **important source of growth** for Santander in the next years
- We are well positioned to **continue delivering stronger results** than our competitors

Brazil's plan, by itself, translates into +5% annual profit growth for the Group over the 2008-2010 period[1]

[1] In constant currency terms

Santander

Dow Jones Sustainability Indexes
Member 2006/07

FTSE4Good Index Series