

GRUPO SANTANDER BRASIL

Integration for leadership

São Paulo. 31 October 2008

**Alfredo Sáenz,
CEO Santander**

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The importance of emerging markets in a diversified portfolio

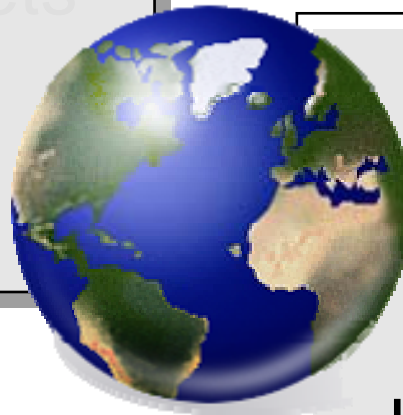
We believe in Brazil's growth potential...

...and we bring a business model that adds value

Summary / outlook for SAN

Emerging markets' "differential growth" is now more valuable than ever

The growth potential of emerging markets' banking systems remains solid...



... at a point when banking in many mature markets has become "exhausted"

Emerging markets are a key ingredient in any “diversified growth” banking portfolio

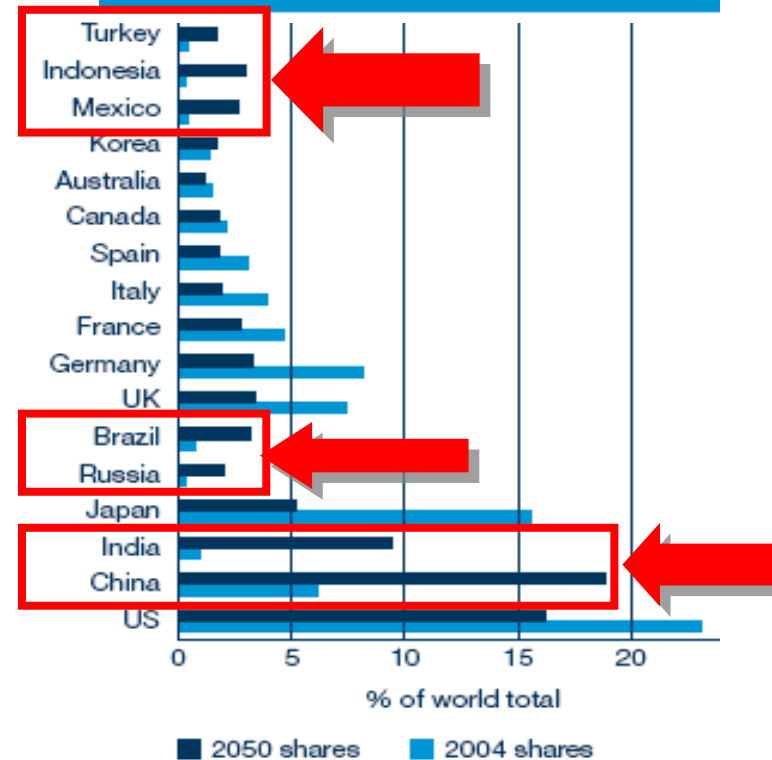
 **Diversification**



 **Differential growth**

 **... with a reduced risk profile**

Shifts in shares of global banking assets



The importance of emerging markets in a diversified portfolio

We believe in the Brazil's growth potential...

...and we bring a business model that adds value

Summary / outlook for SAN

Why did we buy Banco Real?

We believe in the sustained growth potential of...

1





...the **Brazilian economy**

2

...the **Brazilian banking system**

Brazil can be a USD 2-3Tr economy within two decades (Top 5 in the World)

- ✓ Sound **economic policies**
- ✓ Favourable **'terms of trade'**
- ... and now they even find oil!
- ✓ Rise of **middle class**
- ✓ Stability / growth **virtuous circle**

2050 Rank	Country Name	2000 GDP	2010 GDP	2020 GDP	2030 GDP	2040 GDP	2050 GDP
1	 CHN China	1078	2998	7070	14312	26439	44453
*	 EU European Union *	9395	12965	16861	21075	28323	35288
2	 USA United States	9825	13271	16415	20833	27229	35165
3	 IND India	469	929	2104	4935	12367	27803
4	 JPN Japan	4176	4601	5221	5810	6039	6673
5	 BRA Brazil	762	668	1333	2189	3740	6074
6	 RUS Russia	391	847	1741	2980	4467	5870
7	 UK United Kingdom	1437	1876	2285	2649	3201	3782
8	 GER Germany	1875	2212	2524	2697	3147	3603
9	 FRA France	1311	1622	1930	2267	2668	3148
10	 ITA Italy	1078	1337	1553	1671	1788	2061

Source: Goldman Sachs

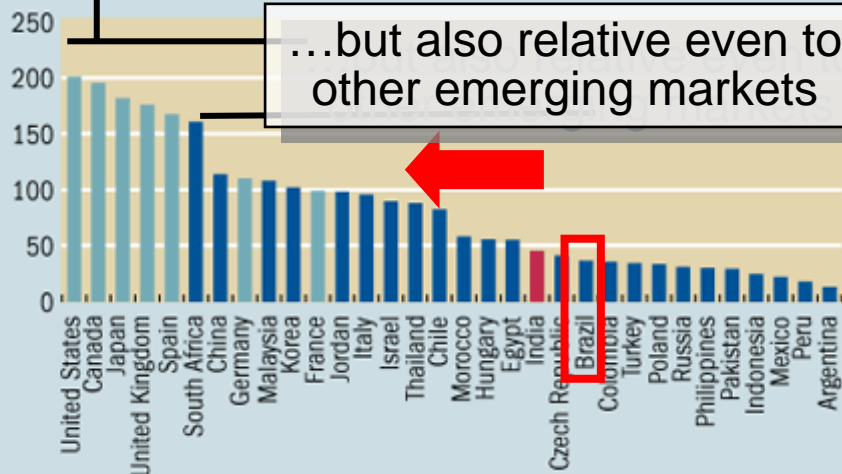
Increasing banking penetration...

... and development of strong domestic capital markets

Growth potential relative not only to "mature" economies...

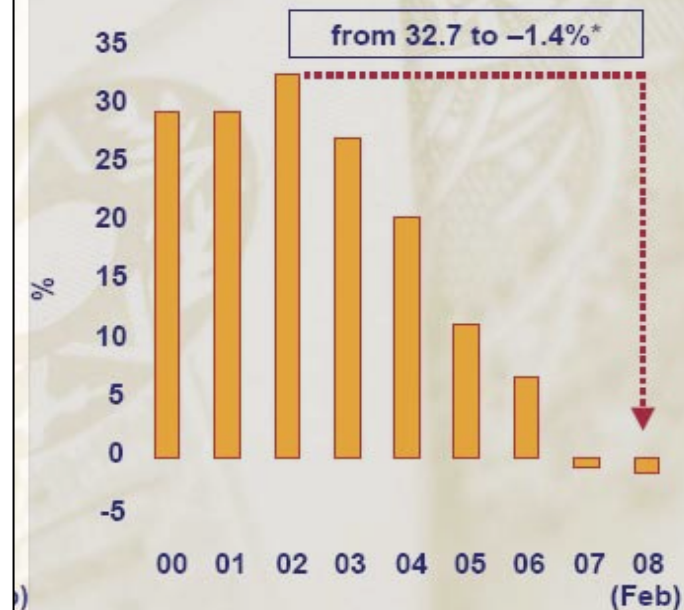
...but also relative even to other emerging markets

(private sector credit to GDP, percent, 2006)



Source: World Bank, World Development Indicators.

net external debt/GDP



Bancarisation in Brazil can double again over the next 10 years

The emerging markets' growth multiplier

Higher GDP growth

X

Higher banking penetration

The importance of emerging markets in a diversified portfolio

We believe in the Brazil's growth potential ...

...and we bring a business model that adds value

Summary / outlook for SAN

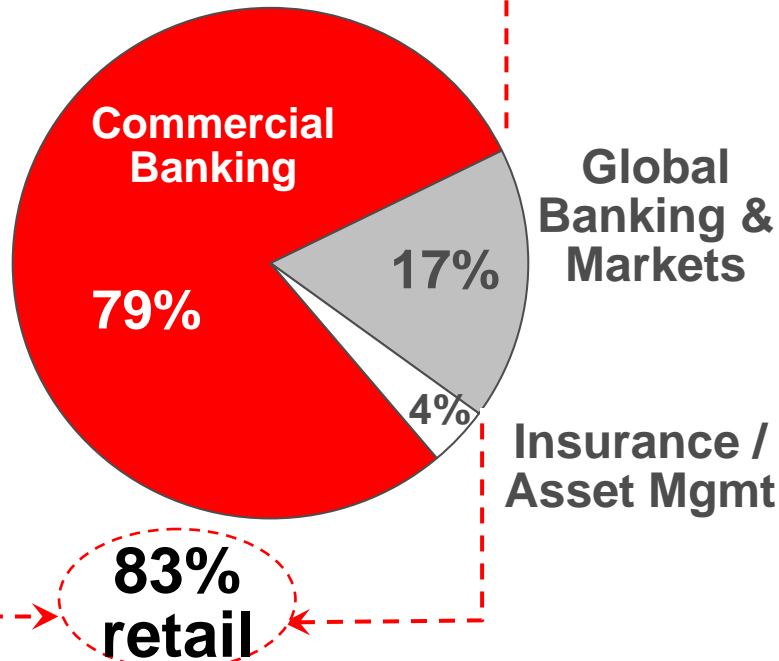
Santander brings a **business model that adds value...**


- 1. Commercial excellence**
- 2. Efficiency focus**
- 3. Global synergies**
- 4. Risk management discipline**

... and we will execute a “textbook”
integration

We are focused on retail and commercial banking

Business Areas Profit before Taxes proforma



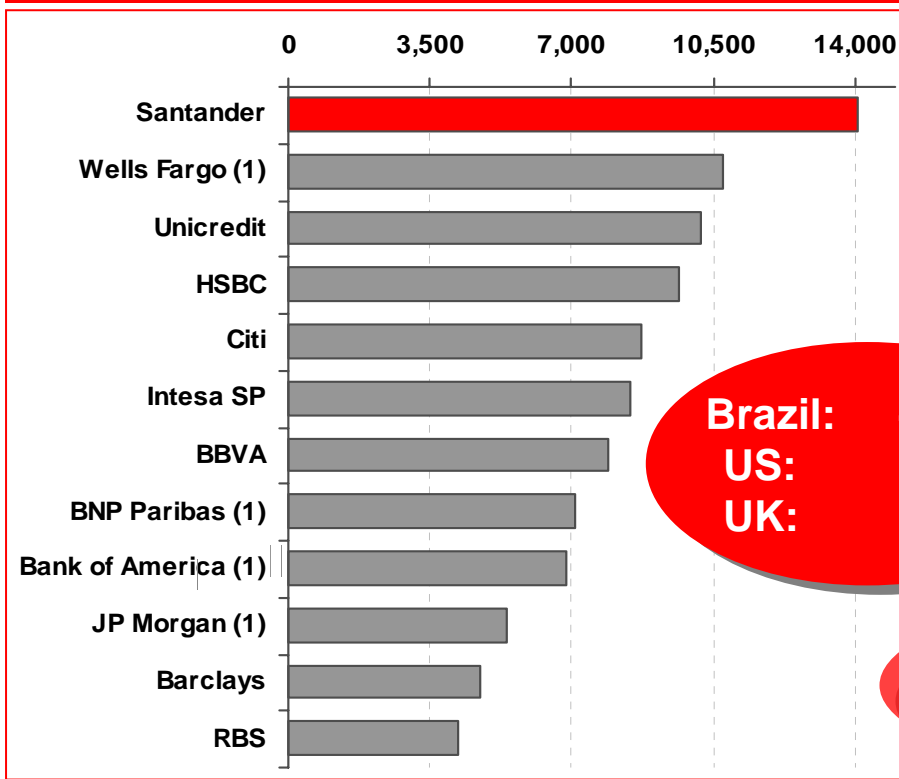
- 
- Strong deposit-based franchise
 - Customer-driven relationships
 - Capacity to manage large commercial networks: branches and multi-channel
 - Wide and innovative product offering

“Invest in the front...”

Managing distribution networks is one of our core skills

Focus on distribution: Santander now has 80 million customers²

Number of branches (*)



Brazil: +2,011
US: +747
UK: +592

...and we continue to grow:

“Invest in the front...”

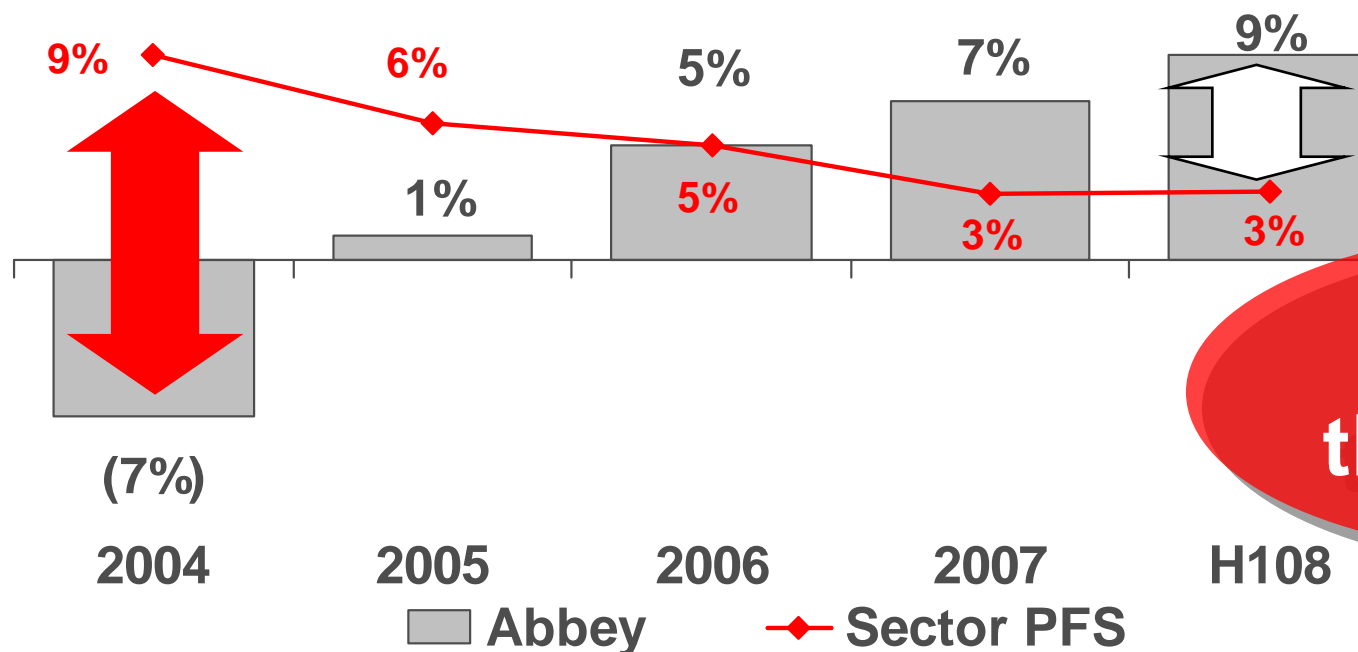
(*) After new incorporations and including PABs in Brazil and B&B agencies in UK

(1) Including new incorporations: Wells Fargo + Wachovia; BNP Paribas + Fortis; BoA + Merrill Lynch; JP Morgan + WaMu

(2) Proforma, including A&L, B&B and Banco Real

We have a track record of improving
“commercial muscle”...

The Abbey case: revenue trends

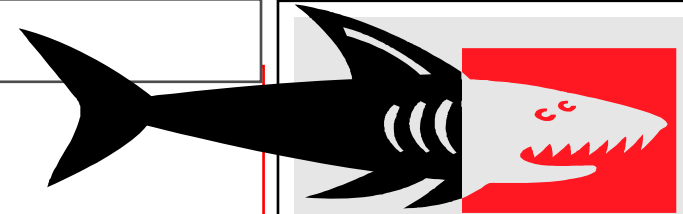
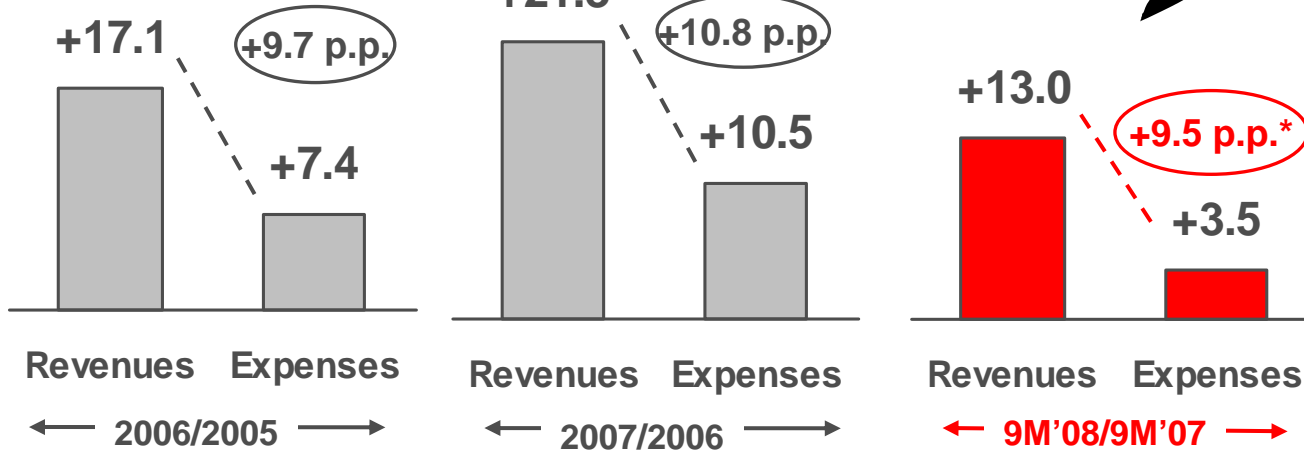


“Invest in
the front...”

We believe in improving our efficiency, year after year

“Jaws” ...

% change

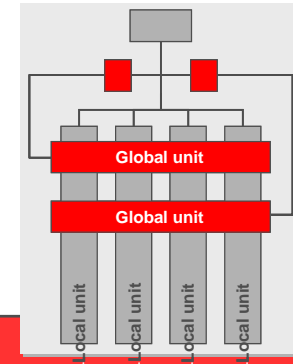


“Opening our jaws” every year is a clear imperative

In the past, we have proven that we can successfully execute synergies and improve the efficiency of acquired banks...
... and we will do it again in Brazil

“...while cutting the back”

The Group is making each unit more efficient and more competitive



Best local business...

... leveraging the Group's economies of scale...

... and taking full advantage of "best practices"

"local tools"

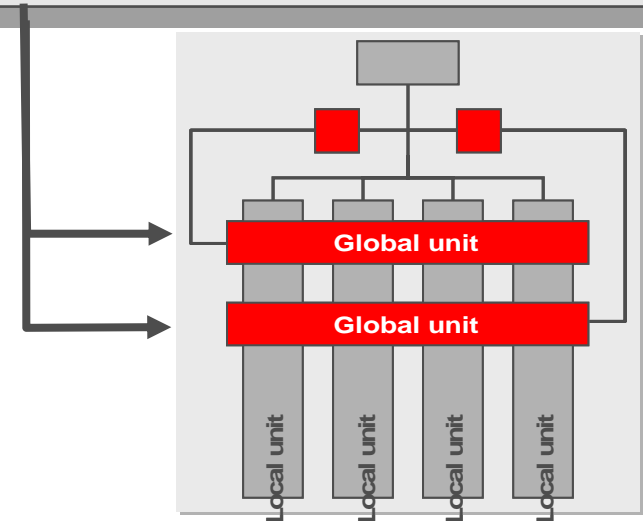
"global tools"

Impact on revenues: The Group adds higher top-line growth

Cooperation with global business units makes each local bank more competitive:

- Global reach
- Transfer of best-practices / know-how
- Faster product innovation / reduced time-to-market

- Global Banking & Markets
- Santander Cards
- Santander Private Banking
- Asset Management
- Insurance



Our risk management principles:

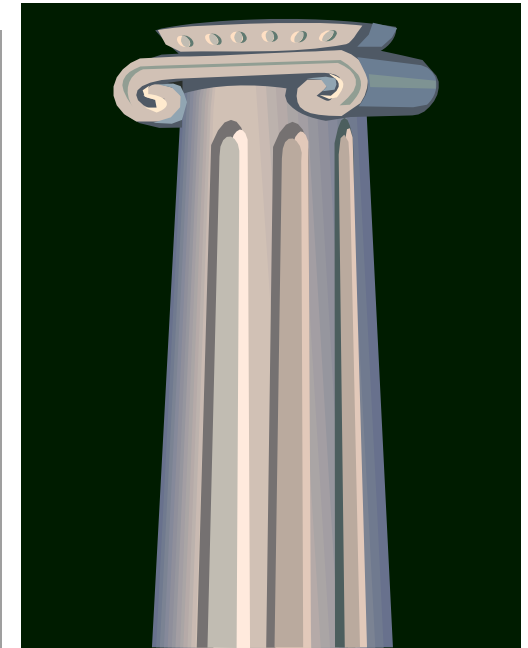
✓ Focus on customer business...

✓ ... in our core markets

✓ Focus on products we understand

✓ High geographic and business diversification

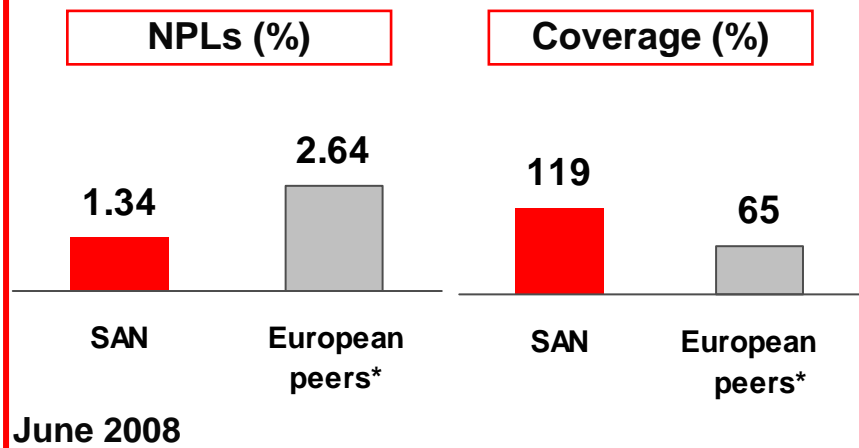
✓ Sharp focus on risk-return trade-offs



Medium-low and predictable risk profile

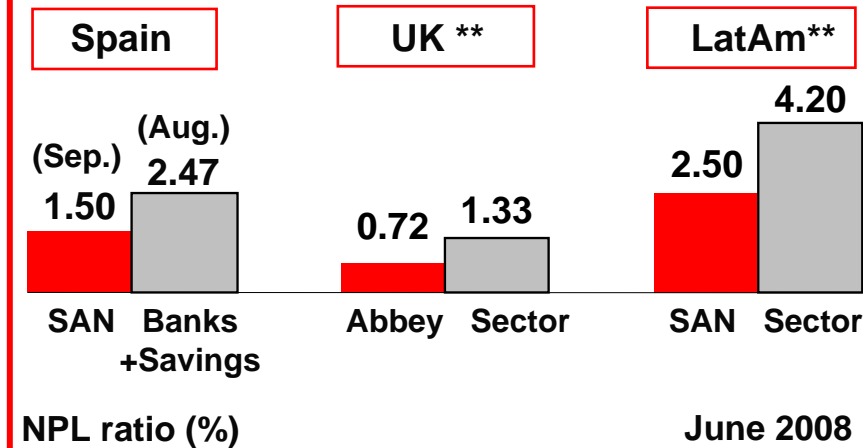
Our differential management capabilities and our lower risk appetite translate into better asset quality...

...as a Group



(*) Average European banks included in our peer group

...and in our main markets



(**) Data according to local criteria, on a like-for-like basis with the sources for each sector

**Adding value through increased customer business...
...not through relaxed standards / “climbing up the risk curve”**

During the previous cycle, an environment of apparent “zero risk” invited the sector to climb up the “risk curves”:



Credit risk:

- ✓ Shift towards subprime segments
- ✓ Financing of leveraged structures (e.g., private equity)



Liquidity risk:

- ✓ Financing long term assets with short term liquidity
- ✓ Increasingly lower reliance on retail deposits



Market risk:

- ✓ Interest rate / FX: carry trades
- ✓ Equity market: e.g., prop trading

- No toxic products
- No conduits / SIV's
- No liquidity or interest rate carry trades
- Importance of deposit funding

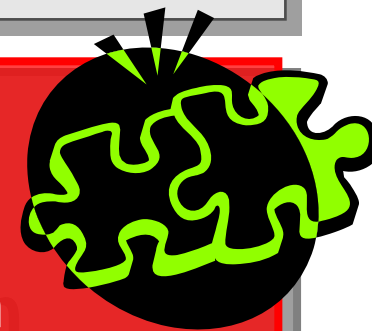
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... and we will execute a **“textbook”**
integration

Banco Real and Santander Brasil are highly complementary banks

Very limited overlap...
... which means that the integration can be executed with limited revenue attrition



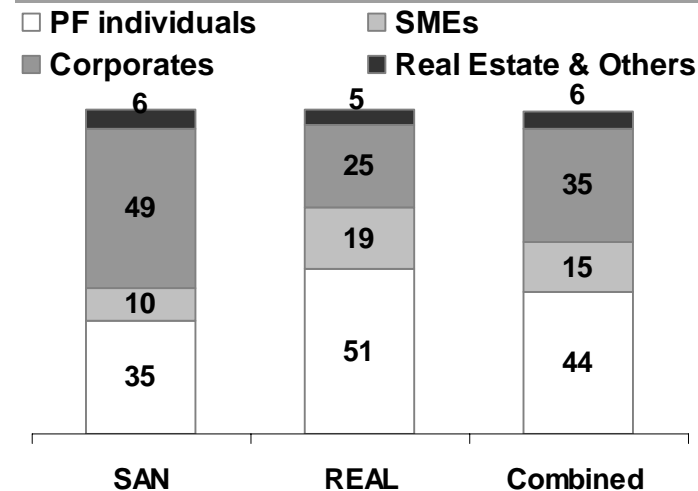
Excellent geographical fit



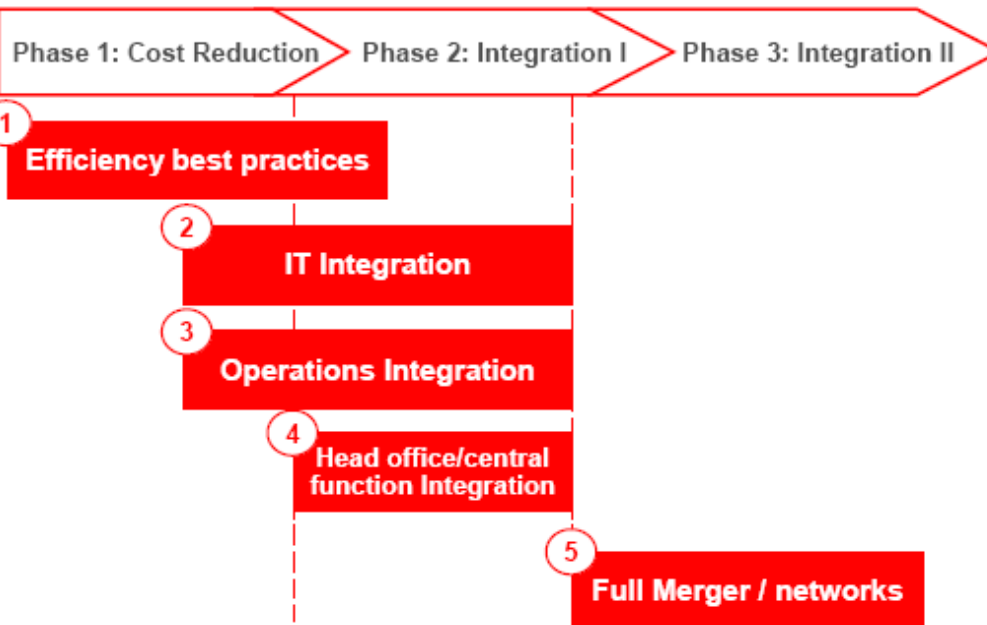
Low product / customer overlap



	% of national GDP	Market share SAN	Market share-ABN	Combined market share
Sao Paulo	34%	13%	7%	20%
Rio de Janeiro	13%	3%	10%	13%
Minas Gerais	10%	2%	7%	9%
Rio Grande do Sul	8%	8%	2%	11%
Subtotal- "top 4"	64%	9%	7%	16%
Brazil- total	100%	6%	6%	12%



**We have a very clear plan:
We know how to do this...**

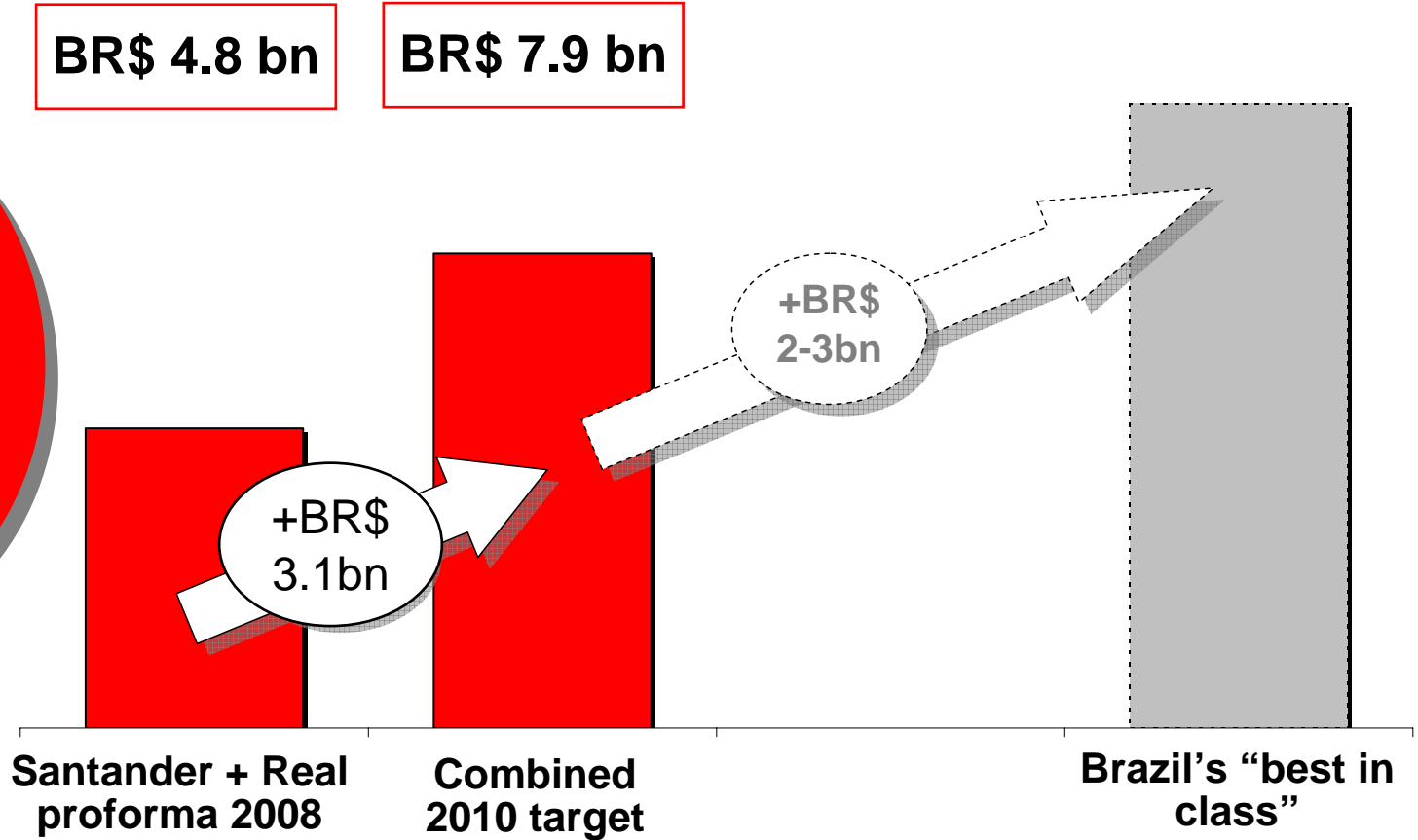


**We will execute a
“textbook” integration:**

- In-market acquisition in a core market
- Strong and experienced teams in both banks,
- Existing base allows us to achieve “quick wins”
- Established IT platform

There is no reason why our operations in Brazil would not generate, over the medium term, a net profit similar to Brazil's "best in class"

A high-value investment for Santander's stockholders



The importance of emerging markets in a diversified portfolio

We believe in the Brazil's growth potential...

...and we bring a business model that adds value

Summary / outlook for SAN

Santander Group's goals: To deliver long term, high quality, balanced, recurrent profit growth:

Santander's business model...

- Well-diversified Group
- Focused on commercial banking
- "Vertical strategy" principle
- Footprint in attractive markets
- Solid retail banking model
- Intensive in Distribution/Customer Relationship
- Conservative balance sheet and risk management

...plus our "extra kicker": BRAZIL

- Market growth
- Banking system growth
- Cost / Revenue synergies
- Closing of the profit gap with Brazil's "best in class"

Brazil will be a key driver of Santander's outperformance vs our peers

