BANCO SANTANDER S.A. AND SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

DECEMBER 31, 2008

BANCO SANTANDER S.A. AND SUBSIDIARY COMPANIES
THE FINANCIAL STATEMENTS ON DECEMBER 31, 2008 AND 2007

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Dear Stockholders,

We present herein the Management Report and Individual and Consolidated Financial Statements of Banco Santander S.A. (Banco, Banco Santander or Santander) related to the financial period ending December 31, 2008, prepared in accordance with accounting practices established by Brazilian Corporate Law and the standards of the National Monetary Council (CMN), the Central Bank of Brazil (BACEN), the Brazilian Securities and Exchange Commission (CVM), the National Council of Private Insurance (CNSP) and the Superintendency of Private Insurance (Susep), when applicable.

Banco Santander S.A., controlled indirectly by Banco Santander, S.A. headquartered in Spain (Banco Santander Espanha), is the leading institution of the financial and non-financial conglomerates with the Central Bank of Brazil. After the corporate restructuring (incorporation of shares), Banco ABN AMRO Real S.A. and ABN AMRO Brasil Dois Participações S.A. and their respective subsidiaries (Banco Real) were integrated into Santander financial and non-financial conglomerate, from August 2008, resulting in the third-largest private financial conglomerate (according to total asset) in the country.

Presentation of Financial Information

The individual and consolidated financial information of Santander and its subsidiaries (Santander or Banco Santander) for all the periods presented were prepared in accordance with current legislation. Santander's consolidated financial information for the financial period ending on December 31, 2008, includes information about Banco Real's balance sheet and results as from August 29, 2008, that is to say, only include Banco Real's results as from September 2008.

To provide a better understanding of Santander's growth in balance sheet and results, given the incorporation of Banco Real into the Santander financial and non-financial conglomerate, it is releasing pro forma financial information related to Santander, including the consolidation of Banco Real related to the full year of 2008 and 2007.

This information is being provided merely to allow further analysis of the balances and transactions to be better able to compare and evaluate the result, stockholders' equity and operational ratios. Santander's pro forma financial information does not represent what may have happened if the incorporation of shares had not taken place as originally stated, nor do they correspond to Santander's financial statements, and do not necessarily indicate any future results or performance.

The following assumptions were adopted in the preparation of the pro forma financial information provided:

1. All Banco Real's assets and liabilities were consolidated as of December 31, 2007.

2. The goodwill related to Banco Real acquisition, of R$26,334 million, and the respective amortization of R$571 million in the period under consideration, were excluded from the figures related to permanent assets and stockholders' equity.

3. The 2007 and 2008 results include the results posted by Banco Real and exclude the non-recurring results related to the sale of securities portfolio, investments, goodwill amortization and tax credits.

4. The adjustments related to the incorporation of shares in Banco Real were not included in the pro forma information.

Santander - Pro Forma Financial Highlights

In millions of reais	Santander – Pro Forma Consolidated Figures		Var.% Dec-08 vs. Dec-07
	12M08	12M07	
Gross Profit from Financial Operations before Allowance for Loans Losses	**18,847**	**18,061**	**4.4%**
Allowance for Loan Losses	(6,950)	(5,171)	34.4%
Gross Profit from Financial Operations	**11,897**	**12,890**	**-7.7%**
Revenue from Services Rendered and Banking Fees	8,100	7,820	3.6%
Administrative Expenses	(12,823)	(12,077)	6.2%
Tax Expenses	(1,950)	(2,167)	-10.0%
Other Income (Expenses)	(2,465)	(3,805)	-35.2%
Net Income in the Period	**2,759**	**2,661**	**3.7%**

Santander's pro forma net income in 2008 totaled R$2,759 million, compared with the R$2,661 million reported in the previous financial year. The 2008 result showed a favorable development in revenue linked to commercial business activities (income from lending operations and services rendered). On the other hand, the income from securities and derivative financial instruments contributed less to the overall result in the same period.

The allowance for loan losses represented 4.9% of the total credit portfolio in December 2008, compared with 4.4% in December 2007. The allowance for loan losses rose 34.4% in 2008, with the increase in this provision mainly due to the 24.5% expansion in the credit portfolio, 18.5% of which was credit extended to individuals (personal loans).

Administrative expenses totaled R$12,823 million in 2008, up 6.2% over 2007, with a 3.1% increase in payroll, while

other administrative expenses rose 8.2%, reflecting the efforts to control spending.

Santander - Pro Forma Balance Sheet

In millions of reais	Santander - Pro Forma Consolidated Figures		Var.% Dec-08 vs. Dec-07
	Dec-08	Dec-07	
Current and Long-Term Assets	**308,577**	**270,877**	**13.9%**
Cash	5,087	3,924	29.6%
Interbank Investments	37,267	34,417	8.3%
Securities and Derivatives	55,824	40,231	38.8%
Lending Operations	139,410	111,979	24.5%
Allowance for Loan Losses	(6,868)	(4,953)	38.7%
Other Assets	77,857	85,279	-8.7%
Permanent Assets	**6,468**	**5,161**	**25.3%**
Total Assets	**315,045**	**276,038**	**14.1%**
Current and Long-Term Liabilities	**291,525**	**253,497**	**15.0%**
Deposits	123,987	91,928	34.9%
Money Market Funding	30,932	39,843	-22.4%
Funds from the Acceptance and Issuance of Securities	10,559	4,888	116.0%
Borrowings and Onlendings	25,530	22,858	11.7%
Other Payables	100,517	93,980	7.0%
Stockholders' Equity	**23,520**	**22,541**	**4.3%**
Total Liabilites	**315,045**	**276,038**	**14.1%**

Santander's pro forma total asset reached R$315,045 million on December 31, 2008, increase of 14.1% year-over-year. Of this value, R$139,410 million represents the credit portfolio, R$55,824 million securities and derivative financial instruments, mainly government securities and R$37,267 million interbank investments.

Santander's Pro Forma Credit Portfolio

Credit operations rose 24.5% in year-on-year terms in 2008, reaching R$139,410 million. Of particular note was the 18.5% increase in personal loan transactions. Within this segment, credit card operations expanded 32.4%, real estate loans 29.6%, vehicle leasing and financing 10.9% and payroll credit 12.7%.

In millions of reais	Santander - Pro Forma Consolidated Figures		Var.% Dec-08 vs. Dec-07
	Dec-08	Dec-07	
Corporate	**75,391**	**57,535**	**31.0%**
Individual	**58,417**	**49,286**	**18.5%**
Vehicle Leasing and Financing	23,056	20,787	10.9%
Payroll Credit	6,830	6,060	12.7%
Credit Cards	6,988	5,279	32.4%
Real Estate Credit	4,468	3,448	29.6%
Others	17,075	13,712	24.5%
Rural Credit	**5,602**	**5,158**	**8.6%**
Total	**139,410**	**111,979**	**24.5%**

Santander - Pro Forma Deposits

The bank's volume of deposits in 2008 grew 34.9% compared with December 2007, totaling R$123,987 million, with an increase of 21.7% in savings deposits and 49.9% in time deposits year-over-year.

In millions of reais	Santander - Pro Forma Consolidated Figures		Var.% Dec-08 vs. Dec-07
	Dec-08	Dec-07	
Deposits			
Demand Deposits	14,730	15,524	-5.1%
Savings Deposits	20,643	16,960	21.7%
Interbank Deposits	1,904	1,308	45.6%
Time Deposits	86,231	57,514	49.9%
Other Deposits	479	622	-23.0%
Total	**123,987**	**91,928**	**34.9%**

Corporate Restructuring

On July 24, 2008, Banco Santander, S.A., headquartered in Spain (Banco Santander Spain), took indirect share control of the companies of the ABN AMRO Real Group in Brazil, after meeting all conditions for this transfer of control, especially the approval of De Nederlandsche Bank (the Central Bank of the Netherlands) and the Central Bank of Brazil.

As a result of the approval of the transfer of control, Banco ABN AMRO Real S.A. (Banco Real) and ABN AMRO Brasil Dois Participações S.A. (AAB Dois Par) were incorporated into the Santander Financial and Non-Financial Conglomerates, with the aim of consolidating the investments in Brazil.

The Extraordinary Stockholders'' Meeting held on August 29, 2008 of Banco Santander, Banco Real and AAB Dois Par approved the corporate restructuring as defined in the Agreement and Plan of Merger of Shares of Banco ABN AMRO Real S.A. and ABN AMRO Brasil Dois Participações S.A. into Banco Santander S.A. (Merger Agreement).

The above-mentioned merger agreement established the justifications and conditions for the corporate restructuring consisting of the merger of all shares of Banco Real and AAB Dois Par into Banco Santander (Merger of Shares). As a result of the merger of shares: (a) Banco Real and AAB Dois Par were converted into wholly-owned subsidiaries of Banco Santander, according to article 252 of Law No. 6404/76; (b) Banco Santander's capital was increased based on the economic value of the shares of Banco Real and AAB Dois Par from R$9,131,448 thousand to R$47,152,201 thousand and (c) shares were issued by Banco Santander and delivered to the respective stockholders of Banco Real and AAB Dois Par.

The objectives of the operation are: (a) assure the transfer of the businesses acquired by Banco Santander Spain to its subsidiary already established and in operation in Brazil - Banco Santander; (b) assure the preservation of the corporate entity of Banco Santander, Banco Real and AAB Dois Par; (c) concentrate the minority interest in these institutions only in Banco Santander.

The operation allows to rationalize and simplify the equity structure of the companies of the Santander Group in Brazil and will enable the stockholders of Banco Real and AAB Dois Par to become stockholders of a publicly traded company and have access to the current dividend policy of Banco Santander.

This new structure also allows a reduction of administrative costs, especially those related to legal and regulatory requirements.

The costs involved in carrying out the transaction totaled approximately R$2.3 million, mainly related to the drawing up of valuation reports and fees paid to external advisers.

As this is an operation involving the merger of shares, the corporate entity of Banco Real and AAB Dois Par were preserved and any variations subsequent to the date of their balance sheets were properly accounted for in their respective accounting books.

The merger of shares, according to the Significant Event published on July 30, 2008 in the newspaper Gazeta Mercantil and São Paulo State Official Gazette, was approved by Bacen on January, 2009.

The Economic Scenario

Brazil had a generally positive year in 2008, despite the international financial crisis. In overall terms, the heating up of the domestic market, the expansion of credit and, most importantly, the maintenance of solid fundamentals contributed to reinforcing the country's stronger position. The upgrade in rating of the country's sovereign debt, by two of the main risk classification agencies, as well as recognition of how much the economy had developed, also contributed to improving investor perception of Brazil.

Economic activity was robust for most of the year, with GDP expanding at around 6.0%, driven largely by household consumption and investment. The average rate of unemployment reached 7.9% in 2008 compared with 9.3% in 2007. As a direct result of the repercussions of the global financial crisis, the pace of economic growth began to show signs of slowing from the fourth quarter of 2008. Industrial production, which had grown by an average of 6.6% in the first few months of 2008, fell to 1.1% in October and 6.2% in November. The same trend was seen in commercial (retail) sales, which dropped 4.1% in November, after performing well through to September. Nevertheless, despite the deceleration in the fourth quarter of 2008, GDP growth last year is expected to be 5.3% (versus 5.4% in 2007).

After remaining close to the inflation target ceiling for most of the year, the IPCA closed 2008 at 5.9%, coming in

below expectations. The Central Bank, to counter the inflationary environment, raised the Selic overnight rate as early as in the first three quarters of the year to 13.75% (compared to 11.25% in 2007), interrupting this hike in interest rates in September 2008, maintaining the base rate stable until the end of the year. As far as the Brazilian currency is concerned, the *real* ended December 2008 quoted at R$2.3370/US$, after having reached one of the lowest levels in the past few years in 2008.

The trade surplus in 2008 stood at US$ 24.7 billion, less than the US$40.0 billion registered in 2007, but still positive considering the less favorable external environment. The country's international reserves and foreign direct investment (FDI) totaled US$206.8 billion and US$45.0 billion to December 2008; respectively. The net debt / GDP ratio in the same period was 36.0%.

Loan operations in the financial system continued to expand, reaching R$1.2 trillion to December 2008, representing a significant growth of 31.1% in 12 months. The sound performance of companies, together with the dynamism in the labor market were just two of the factors that bolstered the expansion of credit in the domestic market in 2008, with the loan/GDP ratio reaching 41.3%.

The dynamism of credit in the domestic market can mainly be seen in the corporate loan segment, which expanded 39.1% in the twelve months to December 2008 versus 31.8% in the same period of 2007. Working capital, leasing and guaranteed loans accounted for approximately 60% of the total credit portfolio, and were the best performers in this segment. The portfolio of loans to individuals was down in 2008 when compared with 2007 (24.3% versus 33.4%), affected mainly by the deceleration in payroll lending and vehicle financing (including leasing operations).

The pace of growth of deposits fell (14.1% in 12 months) totaling R$2.1 trillion to December. Time deposits were the highlight of last year, growing 83.2% in 12 months, compared with savings (15.5%) and managed funds (-0.8%).

Performance

As a result of the previously-mentioned corporate restructuring, and according to existing legislation, Santander's balance sheet and financial statements are presented compared with the data reported in the previous respective financial periods, in which Banco Real's assets, liabilities and results were not included effectively limiting analysis of the financial information.

1. Results

Santander ended the 2008 with a net income of R$1,581 million, including Banco Real's results as from August 29, 2008; as well as R$571 million of goodwill amortization.

2. Assets and Liabilities

Total consolidated assets reached R$340,635 million. Of this amount, R$139,410 million represents the credit portfolio; R$55,824 million securities and derivative financial instruments, mainly federal public bonds; and R$37,267 million interbank investments.

Santander currently holds R$1,495 million of securities classified as "held to maturity" and has the financial capacity and intention to do so.

Stockholders' Equity

Santander's stockholders' equity totaled R$48,757 million as of December 31, 2008.

The Extraordinary Stockholders' Meeting, held on August 29, 2008, approved the capital increase in Banco Santander of R$38,021 million was deliberated at a, involving the issue of 189,300,327 thousand shares, of which 101,282,490 thousand were ordinary and 88,017,837 thousand preferred shares, all related to the incorporation of Banco Real and AAB Dois Par. The Extraordinary Stockholders' Meeting, held on July 25, 2008, approved the R$800 million capital increase in Banco Santander's, through the issuance of 3,689,477 thousand shares, of which 1,974,003 thousand were ordinary and 1,715,474 thousand preferred shares.

In December 2008, the Board of Directors and Executive Board approved the distribution of R$970 million of dividends, based on net income, (common shares - R$2.8456 and preferred shares - R$3.1302, in reais per thousand shares) and the distribution of interest on own capital of R$480 million (common shares - R$1.4081 and preferred shares - R$1.5489, in reais per thousand shares and common shares - R$1.1969 and preferred shares - R$1,3166, net of income tax, in reais per thousand shares), which generated a fiscal benefit of R$192 million, both used on the calculation of the obligatory minimum dividend during the 2008 financial year. In addition, the distribution of dividends was approved based on the Reserve for Dividend Equalization, totaling R$3 million (common shares - R$0.0089 and preferred shares - R$0.0098, in reais per thousand shares).

New rules for the calculation of the bank's capital adequacy ratio according to the method established by the Basle II Agreement were introduced in July 2008, using a new methodology, analysis and credit risk and management and operational procedures. Among the alterations of note: (a) Credit Risk – the weighting of determined assets, including consumer credit, which is now allocated less capital, the mitigation of risk using guarantees and the inclusion of capital commitments for credit; (b) market risks – the introduction of defined capital requirements for exposure subject to variations in foreign currency coupon rates, price indices and interest rates; commodity prices and shares classified in the trading portfolio; interest rates not classified in the trading portfolio; and (c) Operational – specific capital requirement.

Santander's consolidated Basle II Capital Adequacy Ratio reached 14.7% excluding the goodwill effect, as determined by the international rule.

Strategy

The incorporation of Banco Real by Santander resulted in the third-largest private financial conglomerate in the country based on total asset.

The complementary nature of the two banks' distribution networks transformed Santander into an institution with a truly national footprint, albeit focused in the south and southeastern regions of the country, which concentrate 74% of GDP in Brazil, with a branch network of 3,592 points of sale (branches and banking service centers), as well as the 18,115 ATMs.

The two banks also complement each other in the business segment, as Banco Real concentrates on the retail sector and Santander has more expertise in business with large companies.

Santander in Brazil plans to build the best and most efficient bank operating in the country, and be recognized as the best institution for customers as well as the best place to be employed. Santander emphasizes the quality of service and the innovatory nature of its portfolio of products and services, in such a way to make it increasing better suited to the financial needs of its customers, thus strengthening its commercial and operating structure in the financial market/business.

Santander's activities and relationships are based on the vision of sustainability, ensuring transparency and ethics with the aim of satisfying and creating additional value for shareholders, clients, employees and other persons/entities.

Inherent in their banking operations, Santander and Real have innovation and technology as important competitive differentials. In this sense, of particular note was the launching of the following products and services:

Crédito Mais Conquista: a long-term line of credit, of up to 20 years, with no specific target public, but directed to individual lending operations;

Cartão Reward (Credit Card): guarantees customers the return of 2% of the value of their purchases made in one or several installments, with a credit of this value in cash on their credit card statement;

Empréstimo em Folha Garantido: ensures the payment of up to three installments in the event of unemployment and coverage in the event of natural or accidental death;

Fundo Floresta Real (Real's Forest Fund): an investment that makes profitable the carbon credits resulting from the restoration of the vegetation in the River Juquiá basin (SP), with socio-environmental benefits;

Fundo Real Capital Protegido (Real's Protected Capital Fund): the client gains whatever the state of the stock market, with no risk of losing their invested capital; and

Real CDB Sustentável: floating rate time deposits paying interest on a daily basis, which provides the opportunity for the investor to support sustainable initiatives.

Employees

To reach its objective of being among the best companies to work for in the country, Santander continually invests in the training and the well being of its 53 thousand professionals, with programs that involve high school students through to executives in the most senior positions.

Santander maintained its program Aprendiz@Sucesso that provides training for youngsters hired through an arrangement with the International Work Organization (IWO). Santander also participates in the federal government's Jovem Aprendiz (trainee program), as well as continuing its own trainee programs. For employees identified with the potential to assume executive positions, Santander offers the Futuro Diretivos program, which provides, in addition to specific training, the possibility of foreign exchange programs with other units in several countries in which the group has a presence.

In addition, the bank offers two MBA programs: one international, which prepares professionals for exams at some of the most renowned institutions in Europe and the U.S., and Summer, which seeks to attract employees doing MBA courses abroad to Brazil to work on specific development projects. The more senior executives can enroll in programs such as: Leadership Development, Mentoring and Education for Financial Business. There is also the Santander Career Program, which aims to guarantee more transparency and effectiveness to the employees in identifying opportunities within the Bank, and the Trilha da Formação (further education courses), to better qualify the professionals that work in the branch network.

Of particular note within the process of integration, and initiated on August 21, was the first project offered by both Santander and Banco Real, its trainee program.

All these initiatives for continuing higher education are structured in accordance with the role of the professionals and carried out either with employees attending courses or with virtual on-line classes (*e-learning*).

Based on the belief that a better individual is a better professional, Santander also encourages a better sense of well being among its employees. For this purpose, it maintains its Quality of Life Program, which involves activities related to health, social life, work relationships and families, as well as the Personal Support Program, which offers phone-in advice to professionals and their families in moments of stress.

The Main Subsidiaries

Banco ABN AMRO Real S.A. reported a total asset of R$181.062 million as of December 31, 2008, R$59,546 million related to its credit portfolio, R$47,076 million of securities and derivative financial instruments, R$28,443 million of interbank deposits and R$11,858 million of stockholder equity. The consolidated net income included in Santander's financial statements was R$644 million.

Aymoré Crédito, Financiamento e Investimento S.A. reported a total asset of R$18,344 million as of December 31, 2008, R$10,270 million associated with its credit portfolio and R$623 million of stockholder equity. The consolidated net income included in Santander's financial statements was R$6 million.

Real Leasing S.A. Arrendamento Mercantil S.A. posted a total asset of R$27,817 million as of December 31, 2008, R$10,303 million related to its leasing portfolio and R$9,567 million of stockholder equity. The consolidated net income included in Santander's financial statements was R$226 million.

ABN AMRO Arrendamento Mercantil S.A posted a total asset of R$11,495 million as of December 31, 2008, R$519 million related to its leasing portfolio and R$587 million of stockholder equity. The consolidated net income included in Santander's financial statements was R$32 million.

Santander Brasil Arrendamento Mercantil S.A. reported a total asset of R$4,818 million as of December 31, 2008, R$774 million related to its leasing portfolio and R$526 million of stockholder equity. The consolidated net income included in Santander's financial statements was R$46 million.

Santander S.A. Corretora de Câmbio e Títulos posted a total asset of R$589 million as of December 31, 2008, and R$194 million of stockholder equity. The consolidated net income included in Santander's financial statements was R$48 million.

Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda. posted a total asset of R$152 million as of December 31, 2008, R$104 million of stockholder equity and funds under management of R$43,411 million. The consolidated net income included in Santander's financial statements was R$44 million.

Santander Investimentos em Participações S.A., a company set up specifically to invest in equities and securities, registered a net income of R$159 million in 2008. Total assets and stockholders' equity came in at R$1,155 million and R$968 million, respectively.

Rating Agencies

Santander is classified by international rating agencies, and the ratings received reflect its operating performance and quality of management. The ratings attributed to Santander by Fitch and S&P were upgraded in 2008.
Fitch and Standard & Poor's.

Santander		Long Term	Short Term
Fitch Ratings	Support	2	
	National Scale	AAA (BRA)	F1+ (BRA)
	Local Currency	BBB+	F2
	Foreign Currency	BBB	F2
Standard & Poor's	National Scale	brAAA+	brA-1
	Local Currency	BBB-	A-3
	Foreign Currency	BBB-	A-3

Real		Long Term	Short Term
Fitch Ratings	Support	2	
	National Scale	AAA (BRA)	F1+ (BRA)
	Local Currency	BBB+	F2
	Foreign Currency	BBB	F2

Social Responsibility

Santander seeks to integrate sustainability in all its processes, products, policies and relationships. In 2008, Santander expanded its portfolio of products with the creation of Real CDB Sustentável, a floating rate investment earning interest on a daily basis, which provides investors the opportunity to support sustainable initiatives and the Fundo Floresta Real (Forestry Fund), a fixed income investment fund with socio-environmental benefits, both of which achieved better-than-expected results. Santander also involved employees, by training them in terms of sustainability and improving their management of environmental resources, for the purposes of eco-efficiency.

The relationship with customers and partners was intensified with Espaço Real de Práticas em Sustentabilidade, a program that provides corporate clients and suppliers with information about using sustainable means in their businesses. In 2008, 1,170 people and 625 companies took part in the program, and more than 250 individuals participated in Sustainability Workshops and approximately 500 people attended the institutional lecture and visited the sustainable branch.

The equilibrium between the economic, social and environmental dimensions is also a driving factor for the actions adopted by Santander to contribute to the country's development. The focus of these measures education, involving different target publics for the purposes of their social inclusion and to exercise their rights as citizens.

One of Santander's main social initiatives is *Universidades*, one of the largest support programs for

higher education in the world, utilizing agreements to further learning and for research, scholarships and foreign exchange programs. With a network of relationships comprising 544 partner institutions in the area of higher education, Santander offers exclusive products and services for the entire academic community.

Another of Santander's initiatives to support education is *Rede Universia*, which includes 1,100 partner universities, in the 15 Iberian-American countries in which it has a presence. The unifying element of this Network is the *Universia* portal, which develops and integrates free content and services for the academic community, both in Spanish and Portuguese. Launched in Brazil in March 2002, the *Universia* portal (www.universia.com.br) has attracted 257 partner universities in six years, and now has 2.4-million registered users; and a monthly average of 1.1 hits by individual users.

Of particular note among the social private investment projects are *Amigo Real* and *IR Solidário*, which stimulate employees, clients, suppliers and companies associated with Santander to set aside part of their income tax owed for social projects that defend the rights of children and adolescents. A total of 19,000 individuals and corporations took part in these projects in 2008, raising approximately R$4.9 million, which was given to 41 initiatives aimed at helping children and youngsters.

Operational Risks, Internal Controls and the Sarbanes-Oxley Act

Adopt, maintain, and disseminate culture, politics and have the necessary infrastructure to manage and control operational risks is one of Santander's main strategic and competitive factors, always seeking to the efficiency of its Internal Controls, the prevention, mitigation and reduction of events and losses due to Operational Risks, with this concern reflected in the Mission of the Superintendency of Operational and Technological Risks.

As such, it has maintained a corporative area since 2001, both specific and independent, with its own structure, norms, methodologies, tools and internal models focused on the management and control of operational risks.
In the second semester of 2007, this Superintendency also assumed the responsibility for technological risks and business continuity.

The processes developed and adopted are designed to place and maintain Santander among the financial institutions recognized as having the best management practices in the administration of Operational Risks in its business operations, thus contributing to achieving its strategic objectives, continually improving its reputation, as well as the solidity and reliability of the institution both in the local and international markets.

Santander has a defined model for this management and control, which guarantees that it is adopted by the managers in the Day-to-day running of the institution, in alignment with the guidelines established by Banco Santander Espanha (Spain), that the institution complies with the requirements of the New Basle Accord – BIS II, Bacen, the CVM, Susep and the Sarbanes-Oxley Act.

The framework of Santander's methodology is made up of the best practices in the market to identify, capture, evaluate, control, monitor, manage and prevent operational, technological risks and the continuity of its business, as well as continually strengthen its system of internal controls, in accordance with CMN Resolutions 2,554/1998 and 3,380/2006, Susep Circular 249/2004 and the requirements of the Sarbanes-Oxley Act (SOX). Santander also follows the directives established by Banco Santander Espanha (Spain), which are founded on COSO - Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management – Integrated Framework.

Senior management is an active part and aligned with the mission of the Superintendency, management, in line with its Corporate Governance policy, and recognizes, participates and shares responsibility for the continued improvement of this culture and structure, in order to ensure the fulfillment of defined objectives and goals, as well as the security and quality of the products and services provided.

Santander, maintaining the transparency of its management and control model for operational risks, with its methodologies, visions and more detail for the internal models adopted and the main results obtained, announces, formalizes and registers the results in annual financial and social reports, which are available at the site: www.santander.com.br.

The Santander Board, in compliance with CMN Circular 3,383/2008, opted for the Alternative Standardized Approach (ASA) to calculate the capital ratio required for operational risk, including both Santander and Banco Real from the first semester of 2009.

In the first semester of 2008, Banco Santander Espanha (Spain) concluded, with the filing of document 20-F with the SEC - Securities and Exchange Commission, the second complete annual certification of the Internal Control Model, in compliance with section 404 of SOX, for the year ended on December 31, 2007, during which no incidence considered significantly deficient was identified. For year ended on December 31, 2008, the certification process ends in February 2009, and once again, at least to date, no incidences considered significantly deficient have been identified.

Market Risks

Market risk is the exposure to interest rates, exchange rates, commodities prices, stock prices and other values, according to the type of product, volume of operations, terms and conditions of the agreement and underlying volatility.
Santander operates in accordance with global policies, within the Group's risk tolerance level, aligned with the objectives in Brazil and around the world. With this purpose, it has developed its own Risk Management model, according to the following principles:
- Functional independence;
- Executive capacity supported by knowledge of and proximity to customers;
- global reach of the function (different types of risks) and the unique treatment of customers;

- Collective decisions, in order to evaluate all possible scenarios, and not compromising results with individual decisions, including those of the Executive Committee of Credit, Market and Counterparty Risks, which sets the Bank's policies of credit and determines its inherent risks, and the Executive Committee of Assets and Liabilities, which is responsible for the capital management and structural risks, including country risk, liquidity and interest and exchange rate risks;
- Management and optimization of the risk/return equation; and
- Advanced risk management methodologies, such as the Value at Risk – VaR (historical 521-day simulation, with a confidence level of 99% and timeframe of one day) Scenarios, Net Interest Margin Sensitivity, Market Value of Equity Sensitivity 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 account the instructions from the Board of Directors and the Risk Division of the Santander Group in Spain.

Further details of the structure, methodologies and control systems are described in the 2007 annual report, available on the website: www.santander.com.br.

Other Information

It is Santander's policy to restrict the services provided by its independent auditors, so as to preserve the auditor's independence and objectivity in accordance with Brazilian and international standards. In compliance with CVM Instruction 381/2003, the Bank informs that it did not contract in 2008 non-audit services from the independent auditor Deloitte Touche Tohmatsu Auditores Independentes that cumulatively represented more than 5% of its total remuneration.

Acknowledgements

The Management of Santander thanks its customers and stockholders for their trust, and its employees for their efforts and dedication, all of whom have made these results possible.

São Paulo, February 3, 2009.

The Board of Directors

The Executive Board

(Approved at the Board of Directors Meeting held on February 3, 2009)

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Management and Stockholders of
Banco Santander S.A.
São Paulo – SP

1. We have audited the accompanying individual (Bank) and consolidated balance sheets of Banco Santander S.A. and subsidiaries as of December 31, 2008 and 2007, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended and six-month period ended December 31, 2008, and the individual and consolidated statements of value added for the years ended December 31, 2008 and 2007, all expressed in Brazilian reais and prepared under the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements.

2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Bank and its subsidiaries; (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed; and (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Banco Santander S.A. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations, the changes in their stockholders' equity, and the changes in their cash flows for the years then ended and six-month period ended December 31, 2008, and the values added in operations for the years ended December 31, 2008 and 2007, in conformity with Brazilian accounting practices.

4. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 2, 2009

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Francisco A.M. Sant'Anna
Engagement Partner

BANCO SANTANDER S.A. AND SUBSIDIARY COMPANIES
BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31
(In Thousands of Brazilian Reais - R$, Unless Otherwise Stated)

		Bank		Consolidated	
	Note	2008	2007	2008	2007
Current Assets		**101.355.765**	**80.306.832**	**194.149.492**	**79.387.705**
Cash	**5**	**2.449.760**	**1.641.665**	**5.087.316**	**1.641.705**
Interbank Investments	**6**	**29.452.723**	**24.757.573**	**34.076.639**	**24.749.457**
Money Market Investments		18.108.018	21.929.663	18.108.018	21.929.663
Interbank Deposits		3.024.246	1.053.306	7.223.532	1.045.190
Foreign Currency Investments		8.320.459	1.774.604	8.745.089	1.774.604
Securities and Derivative Financial Intrument	**7**	**17.041.998**	**15.300.972**	**26.509.181**	**14.024.674**
Own Portfolio		6.378.524	6.707.436	11.952.040	6.821.238
Subject to Resale Commitments		1.847.562	1.588.580	423.700	113.871
Derivatives		4.833.537	2.616.361	6.032.676	2.614.123
Linked to trading portfolio operations		43.944	-	-	-
Linked to Central Bank of Brazil		2.522.764	2.885.974	3.448.475	2.885.974
Privatization Certificates		-	49.879	-	49.879
Linked to Guarantees		1.415.667	1.452.742	4.652.290	1.539.589
Interbank Accounts	**8**	**2.641.314**	**6.089.045**	**7.365.547**	**6.089.045**
Payments and Receipts Pending Settlement		2.758	4.013	19.502	4.013
Restricted Deposits:		-	-	-	-
Central Bank of Brazil		2.540.289	5.990.805	6.949.629	5.990.805
National Housing System		95.500	88.257	106.597	88.257
Interbank onlending		-	-	270.342	-
Correspondents		2.767	5.970	19.477	5.970
Interbranch Accounts		**3.870**	**984**	**12.736**	**984**
Third-party funds in transit		3	-	1.709	-
Internal Transfers of Funds		3.867	984	11.027	984
Lending Operations	**9**	**27.187.614**	**20.259.501**	**68.299.297**	**20.251.589**
Public Sector		44.678	28.719	73.447	25.865
Private Sector		27.337.675	20.448.734	69.257.668	20.443.442
Allowance for Loan Losses	9.f	(194.739)	(217.952)	(1.031.818)	(217.718)
Leasing Operations	**9**	**215.108**	**10.374**	**4.949.455**	**214.355**
Public Sector		-	-	896	-
Private Sector		220.940	10.374	5.094.557	217.342
Allowance for Doubtful Lease Receivables	9.f	(5.832)	-	(145.998)	(2.987)
Other Receivables		**22.258.872**	**12.122.138**	**47.152.948**	**12.289.405**
Receivables for Guarantees Honored		1.495	95	4.318	95
Foreign Exchange Portfolio	10	14.744.632	8.401.776	31.365.346	8.401.776
Income Receivable		514.451	288.510	274.589	151.307
Trading Account	11	1.351.645	310.460	2.071.093	582.551
Tax Credits	12	2.295.074	1.045.318	4.700.703	1.064.481
Other	13	3.373.721	2.093.621	8.986.484	2.107.395
Allowance for Losses on Other Receivables	9.f	(22.146)	(17.642)	(249.585)	(18.200)
Other Assets		**104.506**	**124.580**	**696.373**	**126.491**
Temporary Investments		-	-	2.474	-
Other Assets	14	189.148	187.438	290.723	192.835
Allowance for Valuation	14	(148.192)	(155.438)	(178.178)	(160.835)
Prepaid Expenses		63.550	92.580	581.354	94.491

BANCO SANTANDER S.A. AND SUBSIDIARY COMPANIES
BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31
(In Thousands of Brazilian Reais - R$, Unless Otherwise Stated)

		Bank		Consolidated	
	Note	2008	2007	2008	2007
Long-Term Assets		**59.857.273**	**34.944.853**	**114.256.621**	**33.602.706**
Interbank Investments	**6**	**1.683.124**	**647.501**	**3.190.624**	**647.501**
Money Market Investments		-	-	18.122	-
Interbank Deposits		1.217.683	647.701	2.707.061	647.701
Foreign Currency Investments		465.641	-	465.641	-
Allowance for Losses		(200)	(200)	(200)	(200)
Securities and Derivative Financial Intrument	**7**	**13.268.073**	**8.344.193**	**29.315.292**	**6.439.763**
Own Portfolio		1.042.582	1.496.746	2.178.105	1.474.696
Subject to Resale Commitments		2.291.674	2.110.168	347.347	204.554
Derivative financial instruments		2.635.150	803.951	3.492.854	802.850
Linked to Central Bank of Brazil		3.595.489	1.846.997	14.522.342	1.846.997
Privatization Certificates		1.395	1.207	1.395	1.207
Linked to Guarantees		3.701.783	2.085.124	8.773.249	2.109.459
Interbank Accounts	**8**	**68.492**	**64.236**	**315.392**	**64.236**
Restricted Deposits:					
National Housing System		68.492	64.236	68.492	64.236
Interbank onlending		-	-	246.900	-
Lending Operations	**9**	**20.238.048**	**17.367.178**	**41.527.556**	**17.338.251**
Public Sector		148.163	149.126	268.797	143.415
Private Sector		22.412.077	18.751.179	46.547.322	18.727.178
Allowance for Loan Losses	9.f	(2.322.192)	(1.533.127)	(5.288.563)	(1.532.342)
Leasing Operations	**9**	**627.911**	**-**	**7.373.056**	**181.388**
Public Sector		-	-	1.398	-
Private Sector		631.539	-	7.610.208	184.864
Allowance for Doubtful Lease Receivables	9.f	(3.628)	-	(238.550)	(3.476)
Other Receivables		**23.867.217**	**8.435.606**	**32.193.749**	**8.842.785**
Receivables for Guarantees Honored		9.812	463	9.812	463
Foreign Exchange Portfolio	10	16.083.523	2.144.405	16.181.345	2.144.405
Income Receivable		36.876	20.026	36.876	20.026
Tax Credits	12	3.166.978	2.585.700	7.294.389	2.691.920
Other	13	4.657.975	3.713.713	8.811.045	4.017.121
Allowance for Losses on Other Receivables	9.f	(87.947)	(28.701)	(139.718)	(31.150)
Other Assets		**104.408**	**86.139**	**340.952**	**88.782**
Temporary Investments		9.687	10.067	9.696	10.075
Allowance for Losses		(647)	(647)	(655)	(655)
Prepaid Expenses		95.368	76.719	331.911	79.362
Permanent Assets		**45.197.680**	**4.222.188**	**32.229.359**	**3.046.525**
Investments		**14.984.082**	**1.288.833**	**129.117**	**110.965**
Investments in Affiliates and Subsidiaries:	16				
Domestic		14.940.503	1.268.418	21.186	19.287
Foreign		115.480	-	-	-
Other Investments		20.216	36.039	145.677	111.769
Allowance for Losses		(92.117)	(15.624)	(37.746)	(20.091)
Property and Equipment in Use	**17**	**2.524.321**	**1.142.120**	**3.650.334**	**1.144.218**
Real Estate		341.985	308.662	810.003	311.585
Other		3.648.950	2.169.633	5.741.067	2.170.783
Accumulated Depreciation		(1.466.614)	(1.336.175)	(2.900.736)	(1.338.150)
Intangibles Assets	**18**	**27.689.277**	**1.791.235**	**28.449.908**	**1.791.342**
Goodwill		26.333.931	-	26.333.931	-
Intangible Assets		3.513.677	3.043.550	9.119.684	2.554.900
Accumulated Amortization		(2.158.331)	(1.252.315)	(7.003.707)	(763.558)
Total Assets		**206.410.718**	**119.473.873**	**340.635.472**	**116.036.936**

Santander

BANCO SANTANDER S.A. AND SUBSIDIARY COMPANIES
BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31
(In Thousands of Brazilian Reais - R$, Unless Otherwise Stated)

		Bank		Consolidated	
	Note	2008	2007	2008	2007
Current Liabilities		**99.308.362**	**79.400.360**	**177.036.042**	**76.142.723**
Deposits	**19.a**	**39.326.071**	**31.960.657**	**72.138.582**	**28.461.371**
Demand Deposits		5.022.049	6.257.913	14.729.644	6.251.442
Savings Deposits		8.314.895	6.288.137	20.642.679	6.288.137
Interbank Deposits		4.268.278	3.791.673	1.528.177	306.957
Time Deposits		21.342.541	15.225.667	34.758.295	15.217.568
Other Deposits		378.308	397.267	479.787	397.267
Money Market Funding	**19.b**	**16.290.597**	**20.706.678**	**23.284.879**	**20.652.082**
Own Portfolio		2.071.114	1.324.407	10.525.907	1.324.407
Third Parties		13.084.478	19.382.271	11.666.815	19.327.675
Linked to Trading Portfolio Operations		1.135.005	-	1.092.157	-
Funds from Acceptance and Issuance of Securities	**19.c**	**4.359.926**	**1.388.143**	**7.878.175**	**1.388.143**
Exchange acceptances		-	-	26.098	-
Real estate credit notes, mortgage notes, credit and similar notes		3.601.154	672.498	6.834.968	672.498
Securities Issued Abroad		758.772	715.645	1.017.109	715.645
Interbank Accounts	**8**	**181**	**656**	**49.517**	**656**
Receipts and Payments Pending Settlement		-	-	1.910	-
Correspondents		181	656	47.607	656
Interbranch Accounts		**1.328.290**	**549.172**	**2.516.657**	**549.172**
Third-Party Funds in Transit		1.327.774	548.030	2.512.498	548.030
Internal Transfers of Funds		516	1.142	4.159	1.142
Borrowings	**19.e**	**9.867.363**	**6.465.748**	**12.212.876**	**6.465.748**
Local Borrowings - Other institutions		184.583	-	352.314	-
Foreign Borrowings		9.682.780	6.465.748	11.860.562	6.465.748
Domestic Onlendings - Official Institutions	**19.e**	**1.816.380**	**1.914.972**	**2.983.867**	**1.914.972**
National treasury		-	-	8.238	-
National Economic and Social Development bank (BNDES)		880.030	991.912	1.130.147	991.912
Federal Savings and Loan Bank (CEF)		6.108	12.679	6.132	12.679
National Equipment Financing Authority (FINAME)		625.973	707.854	1.535.081	707.854
Other Institutions		304.269	202.527	304.269	202.527
Foreign Onlendings	**19.e**	**-**	**-**	**746.733**	**-**
Foreign Onlendings		-	-	746.733	-
Derivative financial instruments	**7**	**5.815.703**	**3.226.639**	**7.763.795**	**3.226.346**
Derivative financial instruments		5.815.703	3.226.639	7.763.795	3.226.346
Other Payables		**20.503.851**	**13.187.695**	**47.460.961**	**13.484.233**
Collected Taxes and Other		31.804	23.912	86.625	23.912
Foreign Exchange Portfolio	10	13.066.728	6.828.883	27.263.121	6.828.883
Social and Statutory		1.478.893	1.527.849	1.852.488	1.528.152
Tax and Social Security	20	184.085	156.927	1.414.571	191.726
Trading Account	11	1.276.502	177.881	2.092.179	447.327
Subordinated Debts	21	2.824	2.140	97.391	2.140
Technical reserves for insurance, pension plan and capitalization operations	22.a	-	-	3.830.060	-
Other	23	4.463.015	4.470.103	10.824.526	4.462.093

Santander

BANCO SANTANDER S.A. AND SUBSIDIARY COMPANIES
BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31
(In Thousands of Brazilian Reais - R$, Unless Otherwise Stated)

		Bank		Consolidated	
	Note	2008	2007	2008	2007
Long-Term Liabilities		**58.214.456**	**30.693.189**	**114.280.194**	**30.550.671**
Deposits	**19.a**	**19.113.026**	**10.973.892**	**51.848.721**	**10.405.516**
Interbank Deposits		-	211.639	376.139	2.714
Time Deposits		19.113.026	10.762.253	51.472.582	10.402.802
Money Market Funding	**19.b**	**2.065.829**	**2.462.758**	**7.647.425**	**2.462.758**
Own Portfolio		2.065.829	2.462.758	7.647.425	2.462.758
Funds from Acceptance and Issuance of Securities	**19.c**	**857.584**	**773.114**	**2.680.540**	**773.114**
Exchange acceptances		-	-	122.350	-
Real estate credit notes, mortgage notes, credit and similar notes		48.645	-	50.416	-
Securities Issued Abroad		808.939	773.114	2.507.774	773.114
Borrowings	**19.e**	**1.566.449**	**816.788**	**2.194.326**	**816.788**
Local Borrowings – Other institutions		-	-	232.181	-
Foreign Borrowings		1.566.449	816.788	1.962.145	816.788
Domestic Onlendings - Official Institutions	**19.e**	**2.451.194**	**2.465.420**	**4.856.375**	**2.465.420**
National treasury		-	-	11.032	-
National Economic and Social Development bank (BNDES)		1.500.617	1.399.071	2.029.498	1.399.071
Federal Savings and Loan Bank (CEF)		7.704	14.979	7.820	14.979
National Equipment Financing Authority (FINAME)		939.954	1.016.137	2.805.106	1.016.137
Other Institutions		2.919	35.233	2.919	35.233
Foreign Onlendings	**19.e**	**-**	**-**	**2.536.011**	**-**
Foreign Onlendings		-	-	2.536.011	-
Derivative financial instruments	**7**	**2.632.890**	**1.340.916**	**3.851.488**	**1.337.785**
Derivative financial instruments		2.632.890	1.340.916	3.851.488	1.337.785
Other Payables		**29.527.484**	**11.860.301**	**38.665.308**	**12.289.290**
Foreign Exchange Portfolio	10	15.588.163	2.149.532	15.686.369	2.149.532
Social and Statutory		-	-	177.641	-
Tax and Social Security	20	3.407.572	3.402.599	8.150.053	3.746.898
Trading Account	11	125	41.597	125	41.597
Subordinated Debts	21	5.526.905	4.217.485	9.091.051	4.217.485
Other	23	5.004.719	2.049.088	5.560.069	2.133.778
Deferred Income		**94.015**	**78.892**	**162.269**	**78.892**
Deferred Income		94.015	78.892	162.269	78.892
Minority Interest		**-**	**-**	**400.410**	**57**
Stockholders' Equity	**25**	**48.793.885**	**9.301.432**	**48.756.557**	**9.264.593**
Capital:					
Brazilian Residents		1.008.603	159.848	1.008.603	159.848
Foreign Residents		46.143.598	8.171.600	46.143.598	8.171.600
Capital Reserves		922.130	22.130	922.130	22.130
Profit Reserves		693.275	605.416	693.275	605.416
Adjustment to Fair Value - Securities and Derivatives		26.279	342.438	(13.920)	342.438
Retained Earnings/Accumulated Deficit		-	-	2.871	(36.839)
Total Liabilities and Stockholders' Equity		**206.410.718**	**119.473.873**	**340.635.472**	**116.036.936**

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO SANTANDER S.A. AND SUBSIDIARY COMPANIES
STATEMENTS OF INCOME FOR THE PERIODS ENDED DECEMBER 31
(In Thousands of Brazilian Reais - R$, Unless Otherwise Stated)

			Bank		Consolidated	
	Note	second half 2008	2008	2007	2008	2007
Financial Income		**13.450.632**	**20.512.167**	**14.552.913**	**30.354.954**	**14.376.991**
Lending Operations		8.344.089	12.456.167	7.834.678	21.082.871	7.935.791
Leasing Operations		50.824	51.079	2.065	717.653	57.375
Securities Transactions	7	4.348.499	6.526.486	6.087.091	7.737.760	5.753.307
Derivatives		(309.112)	(67.657)	299.913	(3.563.643)	301.352
Income from insurance, pension plan and capitalization operations		-	-	-	106.762	-
Foreign Exchange Operations		777.433	1.081.246	(47.313)	3.597.395	(47.313)
Compulsory Investments		238.899	464.846	376.479	676.156	376.479
Financial Expenses		**(11.458.079)**	**(16.043.535)**	**(8.947.148)**	**(23.449.635)**	**(8.527.921)**
Funding Operations	19.d	(6.648.099)	(9.618.784)	(6.559.456)	(12.677.687)	(6.145.942)
Borrowings and Onlendings		(3.283.163)	(3.621.777)	(297.504)	(6.323.541)	(297.504)
Adjustment of interest on technical reserves for insurance, pension plan and capitalization		-	-	-	(77.667)	-
Allowance for Loan Losses	9.f	(1.526.817)	(2.802.974)	(2.090.188)	(4.370.740)	(2.084.475)
Gross Profit From Financial Operations		**1.992.553**	**4.468.632**	**5.605.765**	**6.905.319**	**5.849.070**
Other Operating (Expenses) Income		**(1.651.680)**	**(3.139.684)**	**(3.499.195)**	**(5.652.424)**	**(3.914.864)**
Income from Services Rendered	28	1.574.000	3.045.357	3.471.595	4.250.300	3.741.419
Income from banking fees	29	305.026	669.018	-	1.123.932	-
Income from insurance, pension plan and capitalization operations	22.b	-	-	-	53.775	-
Personnel Expenses	30	(924.272)	(1.854.091)	(1.893.425)	(3.004.485)	(1.913.672)
Other Administrative Expenses	31	(2.230.603)	(3.720.339)	(3.031.855)	(5.416.887)	(3.074.577)
Tax Expenses	32	(392.889)	(793.960)	(803.920)	(1.172.912)	(845.569)
Investments in Affiliates and Subsidiaries	16	852.933	1.028.971	514.107	5.640	2.950
Other Operating Income	33	513.830	795.661	418.417	1.612.317	456.148
Other Operating Expenses	34	(1.349.705)	(2.310.301)	(2.174.114)	(3.104.104)	(2.281.563)
Income From Operations		**340.873**	**1.328.948**	**2.106.570**	**1.252.895**	**1.934.206**
Nonoperating (Expenses) Income	**35**	**(25.686)**	**(53.151)**	**188.756**	**11.586**	**495.128**
Income Before Taxes On Income and Profit Sharing		**315.187**	**1.275.797**	**2.295.326**	**1.264.481**	**2.429.334**
Income and Social Contribution Taxes	**36**	**682.325**	**717.018**	**(57.202)**	**973.341**	**(170.780)**
Provision for Income Tax		(410.996)	(442.177)	(130.424)	(864.636)	(232.493)
Provision for Social Contribution Tax		(236.735)	(355.567)	(100.782)	(480.849)	(137.614)
Deferred Tax Credits		1.330.056	1.514.762	174.004	2.318.826	199.327
Profit Sharing		**(249.036)**	**(451.911)**	**(400.176)**	**(639.172)**	**(413.155)**
Income Before Minority Interest		**748.476**	**1.540.904**	**1.837.948**	**1.598.650**	**1.845.399**
Minority Interest		**-**	**-**	**-**	**(18.037)**	**(3)**
Net Income	**25.d**	**748.476**	**1.540.904**	**1.837.948**	**1.580.613**	**1.845.396**
Number of Shares (Thousands)	25.a	325.758.283	325.758.283	132.768.479		
Earnings per Thousand Shares (R$)		2,30	4,73	13,84		

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Santander

BANCO SANTANDER S.A. AND SUBSIDIARY COMPANIES
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE PERIODS ENDED DECEMBER 31
In thousands of Brazilian reais - R$, unless otherwise stated

				Profit reserves		Adjustment to fair value			
	Note	Capital	Capital increase	Capital reserves	Reserve for dividend equalization	Position own	Affiliates and subsidiaries	Retained earnings	Total
Balances as of December 31, 2006		**6.831.448**	**-**	**24.747**	**375.945**	**125.622**	**5.845**	**145.817**	**8.019.898**
Capital increase	25.a	1.500.000	-	-	-	-	-	-	1.500.000
Adjustment to fair value - securities and derivative financial instruments		-	-	-	-	216.818	(5.847)	-	210.971
Stock exchange memberships		-	-	(2.617)	-	-	-	-	(2.617)
Reserve for equalization of dividends from retained earnings	25.c	-	-	-	145.817	-	-	(145.817)	-
Proposed/paid supplementary dividens based on the reserve for dividend equalization	25.b	-	-	-	(521.762)	-	-	-	(521.762)
Net income		-	-	-	-	-	-	1.837.948	1.837.948
Allocations:									
Legal reserve		-	-	-	-	-	-	(91.897)	-
Proposed dividends	25.b	-	-	-	-	-	-	(1.215.406)	(1.215.406)
Reserve for dividend equalization		-	-	-	3.045	-	-	(3.045)	-
Interest on capital	25.b	-	-	-	-	-	-	(527.600)	(527.600)
Balances as of December 31, 2007		**8.331.448**	**-**	**22.130**	**3.045**	**342.440**	**(2)**	**-**	**9.301.432**
Capital increase	22.a	800.000	38.020.753	900.000	-	-	-	-	39.720.753
Adjustment to fair value - securities and derivative financial instruments		-	-	-	-	(214.485)	(101.674)	-	(316.159)
Proposed/paid supplementary dividens based on the reserve for dividend equalization	25.b	-	-	-	(3.045)	-	-	-	(3.045)
Net income		-	-	-	-	-	-	1.540.904	1.540.904
Allocations:									
Legal reserve		-	-	-	-	-	-	(77.045)	-
Proposed dividends	25.b	-	-	-	-	-	-	(970.000)	(970.000)
Reserve for dividend equalization	25.c	-	-	-	13.859	-	-	(13.859)	-
Interest on capital	25.b	-	-	-	-	-	-	(480.000)	(480.000)
Balances as of December 31, 2008		**9.131.448**	**38.020.753**	**922.130**	**13.859**	**127.955**	**(101.676)**	**-**	**48.793.885**
Balances as of June 30, 2008		**8.331.448**	**784.832**	**22.130**	**755.852**	**63.081**	**50.251**	**-**	**10.649.586**
Capital increase	25.a	800.000	37.220.753	900.000	-	-	-	-	38.920.753
Capital a Realizar	25.a	-	15.168	-	-	-	-	-	15.168
Adjustment to fair value - securities and derivative financial instruments		-	-	-	-	64.874	(151.927)	-	(87.053)
Proposed/paid supplementary dividens based on the reserve for dividend equalization	25.b	-	-	-	(3.045)	-	-	-	(3.045)
Net income		-	-	-	-	-	-	748.476	748.476
Allocations:									
Legal reserve		-	-	-	-	-	-	(37.424)	-
Proposed dividends	25.b	-	-	-	-	-	-	(970.000)	(970.000)
Reserve for dividend equalization	25.c	-	-	-	(738.948)	-	-	738.948	-
Interest on capital	25.b	-	-	-	-	-	-	(480.000)	(480.000)
Balances as of December 31, 2008		**9.131.448**	**38.020.753**	**922.130**	**13.859**	**127.955**	**(101.676)**	**-**	**48.793.885**

The accompanying notes are an integral part of these financial statements

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO SANTANDER S.A. AND SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOW FOR THE PERIODS ENDED DECEMBER 31

In thousands of Brazilian reais - R$, unless otherwise stated

			Bank		Consolidated	
	Note	second half 2008	2008	2007	2008	2007
Net Income		**748.476**	**1.540.904**	**1.837.948**	**1.580.613**	**1.845.396**
Adjustement net income		**727.335**	**2.088.144**	**1.982.146**	**4.666.456**	**2.151.823**
Allowance for loan losses	9.f	1.526.817	2.802.974	2.090.188	4.370.740	2.084.475
Deferred tax credits		(851.959)	(892.705)	(7.247)	(1.063.848)	(33.508)
Equity in affiliates and subsidiaries	16	(852.933)	(1.028.971)	(514.107)	(5.640)	(2.950)
Depreciation and amortization	31	915.647	1.222.932	619.708	1.396.401	619.864
Provision for adjustment of residual cost of deferred charges	35	-	-	294.551	-	294.551
Allowance for losses on other assets	35	(5.657)	(8.416)	(12.258)	(10.462)	(13.470)
Gain (loss) on sale of other assets	35	(13.620)	(16.403)	(13.116)	(16.838)	(19.361)
Impairment of assets	34	11.362	11.362	-	74.262	-
Gain (loss) on sale of other investments	35	(2.251)	(3.199)	(474.747)	(90.847)	(773.720)
Minority interest		-	-	-	18.037	-
Other		(71)	570	(826)	(5.349)	(4.058)
Changes on assets and liabities		**(232.472)**	**14.906**	**14.703.965**	**(693.226)**	**14.487.236**
Decrease (increase) in interbank investments		(6.968.396)	(4.505.079)	(2.766.199)	2.093.013	(2.773.798)
Decrease (increase) in securities and derivative financial instruments		(799.004)	(3.613.462)	21.726.261	(1.829.159)	22.051.104
Decrease (increase) in lending and leasing operations		(9.545.455)	(13.432.015)	(7.293.634)	(22.040.971)	(7.327.698)
Decrease (increase) in deposits on Central Bank of Brazil		4.121.418	3.450.516	(1.257.826)	9.601.431	(1.257.826)
Decrease (increase) in other receivables		(19.153.197)	(23.532.248)	(5.318.786)	(27.582.051)	(5.321.308)
Decrease (increase) in other assets		49.699	1.805	(30.187)	170.875	(34.472)
Net change on interbank and interbranch accounts		306.980	768.716	(420.258)	952.680	(420.258)
Increase (decrease) in deposits		7.157.849	15.504.548	7.812.979	13.054.763	7.074.503
Increase (decrease) in money market funding		559.541	(4.813.010)	(2.440.809)	(8.265.029)	(2.359.868)
Increase (decrease) in funds from acceptance and issuance of securities		1.197.699	3.301.108	481.069	4.487.160	481.069
Increase (decrease) in borrowings and onlendings		4.570.091	4.038.458	1.702.287	6.013.302	1.702.287
Increase (decrease) in other liabilities		18.250.316	22.830.446	2.471.698	22.644.811	2.636.131
Increase (decrease) in change in deferred income		19.987	15.123	37.370	5.949	37.370
Net cash provided by (used in) operating activities		**1.243.339**	**3.643.954**	**18.524.059**	**5.553.843**	**18.484.455**
Investing activities						
Acquisition of investment		(48.152)	(48.557)	(2.684)	(8.086)	(25.400)
Acquisition of property and equipment in use		(1.766.930)	(1.959.840)	(326.858)	(2.103.308)	(326.858)
Acquisition of Intangible assets		(346.510)	(586.833)	(1.414.591)	(723.012)	(1.414.593)
Net cash received on acquisition of subsidiary		-	-	-	2.076.292	-
Net cash received on sale of investments		2.251	14.568	692.741	154.250	1.010.490
Proceeds from assets not in use		44.214	74.430	98.472	186.176	105.929
Proceeds from property in use		186.968	348.732	108.880	452.245	108.880
Dividends and interest on capital received		130.835	135.682	264.134	1.598	-
Net cash provided by (used in) investing activities		**(1.797.324)**	**(2.021.818)**	**(579.906)**	**36.155**	**(541.552)**
Financing activities						
Capital increase		15.168	800.000	607.043	800.000	607.043
Increase in subordinated debts		658.088	1.310.104	183.586	1.528.147	183.586
Paid dividends and interest on capital		(263.495)	(1.698.451)	(900.010)	(1.502.647)	(900.010)
Increase (decrease) on minority interest			-	-	(6.899)	-
Net cash provided by (used in) financing activities		**409.761**	**411.653**	**(109.381)**	**818.601**	**(109.381)**
Increase (decrease) in cash and cash equivalents		**(144.224)**	**2.033.789**	**17.834.772**	**6.408.599**	**17.833.522**
Beginning of period	5	24.030.337	21.852.324	4.017.552	21.852.364	4.018.842
End of period	5	23.886.113	23.886.113	21.852.324	28.260.963	21.852.364

The accompanying notes are an integral part of these financial statements.

BANCO SANTANDER S.A. AND SUBSIDIARY COMPANIES
STATEMENTS OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31
In thousands of Brazilian reais - R$, unless otherwise stated

	Note	Bank 2007	Consolidated 2007
SOURCES OF FUNDS		**39.004.227**	**38.997.018**
Adjusted net income		**2.021.539**	**2.535.856**
Net income		**1.837.948**	**1.845.396**
Adjustment to net income:			
Investments in affiliates and subsidiaries	16	(514.107)	(2.950)
Depreciation and amortization	31	416.231	416.387
Recognition (reversal) of allowance for losses on other assets	35	(12.258)	(13.470)
Recognition of allowance for losses on other investments		(869)	(4.101)
Provision for adjustment to residual cost of deferred charges	35	294.551	294.551
Exchange variation on foreign branches		43	43
Cash of acquired businesses		**-**	**-**
Change in deferred income		**37.370**	**37.370**
Funds from stockholders		**1.500.000**	**1.500.000**
Capital increase	25.a	1.500.000	1.500.000
Adjustment to fair value - securities and derivatives		**216.818**	**210.971**
Funds from third parties:		**35.228.500**	**34.712.821**
Increase in liabilities		**15.953.473**	**15.372.251**
Deposits		7.812.979	7.074.503
Money market funding		-	-
Funds from acceptance and issuance of securities		481.069	481.069
Borrowings and onlendings		1.702.287	1.702.287
Derivatives		2.556.270	2.553.053
Other payables		3.400.868	3.561.339
Decrease in assets		**18.856.555**	**19.166.241**
Interbank investments		-	-
Securities and derivatives		18.829.316	19.166.241
Leasing operations		27.239	-
Other receivables		-	-
Disposal of permanent assets		**154.338**	**174.329**
Assets not in use		85.606	86.821
Property in use		44.413	44.413
Investments		24.319	43.095
Dividends received from subsidiaries		**178.124**	**-**
Interest on capital received from subsidiaries		**86.010**	**-**
USES OF FUNDS		**38.540.287**	**38.534.328**
Proposed dividends	**25.b**	**1.737.168**	**1.737.168**
Proposed interest on capital	**25.c**	**527.600**	**527.600**
Adjustment to fair value - securities and derivatives		**-**	**-**
Additions		**287.825**	**310.544**
Assets not in use		69.656	69.659
Property and equipment in use		215.485	215.485
Investments		2.684	25.400
Deferred charges		**429.352**	**429.354**
Increase in assets		**32.784.455**	**32.836.716**
Interbank investments		20.080.018	20.087.617
Securities and derivatives		-	-
Interbank and interbranch accounts		1.345.006	1.345.006
Lending operations		5.023.871	5.029.671
Leasing operations		-	5.535
Other receivables		5.476.455	5.505.497
Other assets		859.105	863.390
Decrease in liabilities		**2.773.887**	**2.692.946**
Money market funding		2.440.809	2.359.868
Funds from acceptance and issuance of securities		-	-
Interbank and interbranch accounts		333.078	333.078
Borrowings and onlendings		-	-
Other payables		-	-
INCREASE IN CASH		**463.940**	**462.690**
REPRESENTED BY:			
Cash			
Beginning of period		1.177.725	1.179.015
End of period	5	1.641.665	1.641.705
INCREASE IN CASH		**463.940**	**462.690**

As notas explicativas anexas são parte integrante das demonstrações financeiras

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO SANTANDER S.A. AND SUBSIDIARY COMPANIES
STATEMENTS OF VALUE ADDED YEARS ENDED DECEMBER 31, 2008 AND 2007
In thousands of Brazilian reais - R$, unless otherwise stated

		Bank			Consolidated		
	Note	2008		2007	2008		2007
Value added breakdown							
Financial income		20.512.167		14.552.913	30.354.954		14.376.991
Income from services rendered and Income from insurance, pension plan and capitalization operations		3.714.375		3.471.595	5.428.007		3.741.419
Allowance for loan losses	9.f	(2.802.974)		(2.090.188)	(4.370.740)		(2.084.475)
Other Assets and Liabilities		(1.556.429)		(1.566.941)	(1.405.939)		(1.330.287)
Financial Expenses		(13.240.561)		(6.856.960)	(19.078.895)		(6.443.446)
Third-party input		(2.334.389)		(2.247.261)	(3.832.946)		(2.290.007)
Materials and Utilities		(108.363)		(92.662)	(239.755)		(100.628)
Outside and specialized services	31	(723.551)		(994.773)	(1.067.460)		(1.016.188)
Impairment of assets		(11.362)		-	(74.262)		-
Other		(1.491.113)		(1.159.826)	(2.451.469)		(1.173.191)
Gross Added Value		**4.292.189**		**5.263.158**	**7.094.441**		**5.970.195**
Retention							
Depreciation and amortization	31	(1.222.932)		(619.708)	(1.396.401)		(619.864)
Added Value Produced		**3.069.257**		**4.643.450**	**5.698.040**		**5.350.331**
Added Value Received from Transfer							
Investments in Affiliates and Subsidiaries	16	1.028.971		514.107	5.640		2.950
Added Value to Distribute		**4.098.228**		**5.157.557**	**5.703.680**		**5.353.281**
Added Value Distribution							
Employee		2.043.099	49,8%	2.029.161	3.200.535	56,1%	2.059.575	38,4%
Compensation	30	1.074.966		1.114.920	1.756.447		1.125.880	
Benefits	30	331.199		317.044	477.655		320.834	
Goverment Severance Indemnity Funds for Employees - FGTS		105.367		103.980	179.501		105.113	
Other		531.567		493.217	786.932		507.748	
Taxes		339.845	8,3%	1.125.562	642.693	11,3%	1.283.601	23,9%
Federal		161.096		956.683	380.826		1.100.385	
State		288		156	328		170	
Municipal		178.461		168.723	261.539		183.046	
Remunaration of third part - rental	31	174.380	4,3%	164.886	261.802	4,6%	164.706	3,1%
Remunaration of interest on capital		1.540.904	37,6%	1.837.948	1.598.650	28,0%	1.845.399	34,6%
Interest on capital		480.000		1.215.406	480.000		1.215.406	
Dividends		970.000		527.600	970.000		527.600	
Profit reinvestment		90.904		94.942	130.613		102.390	
Participation results of minority of shareholders		-		-	18.037		3	
Total		**4.098.228**	**100,0%**	**5.157.557**	**5.703.680**	**100,0%**	**5.353.281**	**100,0%**

The accompanying notes are an integral part of these financial statements.

1. Operations

Banco Santander S.A., indirectly controlled by Banco Santander, S.A., with headquarters in Spain (Banco Santander Espanha), is the lead institution of the financial and non-financial group with the Central Bank of Brazil, established as a corporation, with main offices at Rua Amador Bueno, 474, Santo Amaro, São Paulo, and operates as a multiple service bank, conducting operations such as commercial, foreign exchange, investment, credit and financing and mortgage loan, leasing portfolios and, through related entities, insurance, pension plan, capitalization, leasing, asset management, and securities and insurance brokerage operations. Transactions are conducted within the context of a group of financial institutions that operate on an integrated basis in the financial markets.

2. Corporate Restructuring

On July 24, 2008, Banco Santander, S.A., headquartered in Spain (Banco Santander Spain), took indirect share control of the companies of the ABN AMRO Real Group in Brazil, after meeting all conditions for this transfer of control, especially the approval of De Nederlandsche Bank (the Central Bank of the Netherlands) and the Central Bank of Brazil.

As a result of the approval of the transfer of control, Banco ABN AMRO Real S.A. (Banco Real) and ABN AMRO Brasil Dois Participações S.A. (AAB Dois Par) were incorporated into the Santander Financial and Non-Financial Conglomerates, with the aim of consolidating the investments in Brazil.

The Extraordinary Stockholders'' Meeting held on August 29, 2008 of Banco Santander, Banco Real and AAB Dois Par approved the corporate restructuring as defined in the Agreement and Plan of Merger of Shares of Banco ABN AMRO Real S.A. and ABN AMRO Brasil Dois Participações S.A. into Banco Santander S.A. (Merger Agreement).

The above-mentioned merger agreement established the justifications and conditions for the corporate restructuring consisting of the merger of all shares of Banco Real and AAB Dois Par into Banco Santander (Merger of Shares). As a result of the merger of shares: (a) Banco Real and AAB Dois Par were converted into wholly-owned subsidiaries of Banco Santander, according to article 252 of Law No. 6404/76; (b) Banco Santander's capital was increased based on the economic value of the shares of Banco Real and AAB Dois Par from R$9,131,448 thousand to R$47,152,201 thousand and (c) shares were issued by Banco Santander and delivered to the respective stockholders of Banco Real and AAB Dois Par.

The goodwill accrued based on the August 31, 2008 data related to the acquisition of Banco Real and AAB Dois Par was R$26,333,931.

The objectives of the operation are: (a) assure the transfer of the businesses acquired by Banco Santander Spain to its subsidiary already established and in operation in Brazil - Banco Santander; (b) assure the preservation of the corporate entity of Banco Santander, Banco Real and AAB Dois Par; (c) concentrate the minority interest in these institutions only in Banco Santander.

The operation allows to rationalize and simplify the equity structure of the companies of the Santander Group in Brazil and will enable the stockholders of Banco Real and AAB Dois Par to become stockholders of a publicly traded company and have access to the current dividend policy of Banco Santander.

This new structure also allows a reduction of administrative costs, especially those related to legal and regulatory requirements.

As this is an operation involving the merger of shares, the corporate entity of Banco Real and AAB Dois Par were preserved and any variations subsequent to the date of their balance sheets were properly accounted for in their respective accounting books.

The merger of shares, according to the Significant Event published on July 30, 2008 in the newspaper Gazeta Mercantil and São Paulo State Official Gazette, was approved by Bacen on January, 2009.

The Consolidated Balance Sheet Data of Banco Real and AAB Dois Par and their respectively subsidiaries as of August 31, 2008 is presented below. Such details are intended to provide a position of impacts associated with this property acquisition.

	August 31, 2008
Current and Long-term Assets	**148.988.991**
Cash	2.076.292
Interbank Investments	11.000.330
Securities and Derivatives	28.132.325
Interbank and Interbranch Accounts	11.920.469
Lending and Leasing Operations	70.565.239
Allowance for Loan Losses	(3.974.009)
Other Receivables and Other Assets	29.268.345
Permanent Assets	**2.001.707**
Total Assets	**150.990.698**
Current and Long-term Liabilities	**137.911.557**
Deposits	72.050.296
Money Market Funding	16.082.493
Funds from Acceptance and Issuance of Securities	4.155.153
Interbank and Interbranch Accounts	1.843.294
Borrowings, Domestic Onlendings - Official Institutions and Foreign Onlendings	7.853.958
Technical Reserves for Insurance, Pension Plan and Capitalization	3.315.043
Other Payables	32.611.320
Deferred Income	**77.428**
Minority Interest	**389.215**
Stockholders' Equity	**12.612.498**
Total Liabilities	**150.990.698**

3. Presentation of Financial Statements

The financial statements of Banco Santander S.A., which include its foreign branches (Bank) and the consolidated financial statements of the Bank and its subsidiaries (Consolidated) indicated in Note 16 have been prepared in accordance with accounting practices established by Brazilian Corporate Law and standards established by the National Monetary Council (CMN), the Central Bank of Brazil and the Brazilian Securities Commission (CVM), the National Council of Private Insurance (CNSP) and the Superintendency of Private Insurance (SUSEP). It was adopted for report of financial the approved regulations from CVM related to international accounting convergence process that does not conflict with the rules of CMN and BACEN.

In the preparation of the consolidated financial statements, equity in subsidiaries, significant balances arising from transactions among domestic branches, foreign branches and subsidiaries, and unrealized profits between these entities have been eliminated. Minority interest is recorded in a separate caption in stockholders' equity and in the statements of income. The balances stated in the jointly-owned subsidiaries' balance sheets and statements of income were consolidated in proportion to the interest in the

The information of the leasing transactions has been reclassified, in order to reflect its financial position in the consolidated financial statements in conformity with the financial method of accounting for leasing operations.

For a better comparability of the financial statements, certain reclassifications have been made from Deferred Charges and Prepaid Expenses - Rights for Acquisition of Payrolls to Intangible Assets and Property and Equipment, and from Other Payables – Other - Agribusiness Credit Bills - LCA to Funds from Acceptance and Issuance of Securities, related to the balances for the period ended December 31, 2007, to conform them to the accounting procedures/classifications adopted in 2008.

As a result of the corporate restructuring mentioned in Note 2 and in accordance with current legislation, the consolidated financial information are presented compared with the data of the previous periods, which do not include the assets, liabilities or results of Banco Real, so that the analysis of the evolution of financial information is limited.

The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the reporting periods. Since Management's judgment involves making estimates concerning the likelihood of future events, actual amounts could differ from those estimates.

4. Significant Accounting Practices

a) Results of Operations

Determined on the accrual basis of accounting and includes income, charges and monetary or exchange variations earned or incurred through the balance sheet date, on a daily pro rata basis.

b) Financial Statement Translation

The functional currency used for the operations of the branches abroad is the real. The assets and liabilities are substantially monetary items and are converted by exchange rates at the end of the period, the non-monetary items are measured at cost history and the results are converted by the average exchange rates for the period.

The exchange effects of the operations of the branches abroad are located on the lines of statement of income, according to their assets and liabilities which resulted it. The application of this practice was adopted in this prospective, in accordance with CVM Deliberation 534, and therefore were not reclassified to other operating expenses results from exchange rate of the branches abroad for the year ended December 31, 2007.

c) Current and Long-Term Assets and Liabilities

Stated at their realizable or settlement amounts, respectively, and include income, charges and monetary or exchange variations earned or incurred through the balance sheet date, determined on a daily pro rata basis. When applicable, allowances for valuation are recorded to reflect market or realizable values. The allowance for loan losses is based on analyses of outstanding lending operations (past-due and current), past experience, future expectations, and specific portfolio risks, as well as on the risk assessment policy of the Bank's management for recognition of allowances, including requirements of the National Monetary Council (CMN) and Central Bank of Brazil.

Receivables and payables due within 12 months are recorded in current assets and liabilities, respectively, except for trading securities that, regardless of their maturity, are classified in current assets, in conformity with Central Bank of Brazil Circular 3068/2001.

d) Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents correspond to the balances of cash and applications interbank investments with immediate convertibility in to cash or with original maturity of more than ninety days.

e) Securities

Securities are presented in accordance with the following recognition and accounting valuation criteria:
I - Trading securities.
II - Available-for-sale securities.
III - Held-to-maturity securities.

"Trading securities" include securities acquired for the purpose of being actively and frequently traded and "Held-to-maturity securities" include those which the Bank intends to maintain in its portfolio to maturity. "Available-for-sale securities" include those which cannot be classified in categories I and III. Securities classified in categories I and II are stated at cost plus income earned through the balance sheet date, calculated on a daily pro rata basis, and adjusted to fair value, reflecting the increase or decrease arising from this adjustment in:

(1) The related income or expense account, in income for the period, when related to securities classified as "Trading securities", net of tax effects; and

(2) Separate caption in stockholders' equity, when related to securities classified as "Available-for-sale securities", net of tax effects. The adjustments to fair value on sale of these securities are transferred to income for the period.

Securities classified as "Held-to-maturity securities" are stated at cost, plus income earned through the balance sheet date, calculated on a daily pro rata basis, and recorded in income for the period; provisions for losses are recognized whenever there are permanent losses on the realizable value of these securities.

f) Derivatives

Derivatives are classified according to Management's intent to use them for hedging or not. Transactions made at customers' request, on own account, or that to not meet the criteria for hedge accounting, especially derivatives used to manage the global risk exposure, are reported at fair value, with realized and unrealized gains and losses included in income for the period.

Derivatives designated as hedge may be classified as:

I - Market risk hedge.
II - Cash flow hedge.

Derivatives designated as hedge and the respective hedged items are adjusted to fair value, considering the following:

(1) For those classified in category I, the increase or decrease is recorded in income or expense for the period, net of tax effects; and

(2) For those classified in category II, the increase or decrease is recorded in a separate caption in stockholders' equity, net of tax effects.

g) Prepaid Expenses

Funds used in advance payments, whose benefits or provision of services will occur in future years, are recorded as "prepaid expenses" and allocated to income over the term of the respective agreements.

h) Permanent Assets

Stated at acquisition cost and include:

h.1) Investments

Adjustments to investments in affiliates and subsidiaries are determined under the equity method of accounting and recorded as investments in affiliates and subsidiaries. Other investments are stated at cost, reduced to fair value, when applicable.

h.2) Property and Equipment

Depreciation of property and equipment is determined under the straight-line method at the following annual rates: buildings - 4%, installations, furniture, equipment in use, communication and security systems - 10%, and data processing systems and vehicles - 20% and leasehold improvements - 10% or considering the benefit period of the terms of rental contracts.

h.3) Intangible assets

Goodwill on acquisition of subsidiaries is amortized over 10 years, based on expected future earnings and is tested for impairment annually or more frequently if conditions or circumstances indicate an impairment.

Goodwill on marger and the related reduction account, reserve for maintenance of integrity of the merging entity's stockholders' equity, are amortized over a period of up to 10 years, based on expected future earnings.

Exclusivity contracts for provision of banking services are accrued the payments related to the commercial partnership contracts with the private and public sectors to assure exclusivity for banking services of payroll credit processing and payroll loans, maintenance of collection portfolio, supplier payment services and other banking services, allocated to income over the term of the respective agreements.

Acquisition and development of software are amortized over a maximum period of 5 years.

i) Technical reserves for insurance, pension plan and capitalization operations

i.1) Insurance and pension plan

Technical reserves are recognized in conformity with the provisions and criteria established by CNSP, which are consistent with the technical guidance notes and actuarial valuation data annually provided to Susep. Adjustment for inflation and interest credited to the reserves, when applicable, are accounted for as expenses on adjustment of and interest on technical reserves for insurance, pension plan and capitalization operations.

The unearned premium reserve and the unexpired risk reserve consist of the portions of premiums retained and the net contribution, respectively, for the period of the unelapsed risks, calculated under the daily pro rata method, considering the risks in force not yet written. The unearned premium reserve and the unexpired risk reserve for retrocession operations are recognized based on information received from IRB Brasil Resseguros S.A.

The reserve for unsettled claims corresponds to the best estimate of the insurer of the net recovery amount payable, determined based on the claim notices received through the balance sheet date, adjusted for inflation pursuant to prevailing legislation.

The IBNR reserve is recognized to face claims incurred but not yet reported.

The reserves represent the amounts of obligations assumed under annuity pension plans and lump-sum pensions and are calculated under the financial method provided for in contract, by and under the responsibility of an accredited actuary, registered with the Brazilian Actuary Institute (IBA). The unvested benefits reserve and the vested benefits reserve represent the present value of future benefits, estimated based on actuarial assumptions and interest rates when using the capitalization financial regime. The unvested benefits reserve refers to the participants whose benefit payments has not yet started while the vested benefits reserve refers to the participants whose benefit payments has already started.

The purpose of the contribution deficiency reserve is to recognize the difference determined between the reserve calculation using the technical bases of the AT-2000 Male Biometric Table, which is similar to the experience of the insurer's Supplementary Pension Plans, and the reserve calculation using the technical bases set forth by an Actuarial Guidance Note, if positive. The purpose of the financial fluctuation reserve is to avoid possible future deficits and recognize in advance future results arising from the mismatch of both inflation indices on benefit payment and the guaranteed interest rate of the reserves of the Supplementary Pension Plans. The estimate used for the reinvestment rate of long-term interest is 4%.

The financial charges credited to the reserves are classified as expenses on adjustment of and interest on technical reserves for insurance, pension plan and capitalization operations.

The reserve for future policy benefits corresponds to the total amount of the vested and unpaid lump-sums arising from events occurred, including the adjustment for inflation of the vested amount.

The reserve for surrenders and/or other future policy benefits covers the amounts allocated to the refund of contributions/premiums and surrenders and/or transfers requested but not yet paid, as well as the amounts of surrenders whose right has not yet been exercised in the cases where a participant's contract is canceled.

The premium deficiency reserve shall be recognized when it is determined that the premium amount received will not be sufficient to cover all the expenses related to future commitments already assumed. This reserve results from the difference between the amount of future expenses and the amount of future revenue estimated on the calculation date.

The supplementary premium reserve shall be calculated and recognized monthly to supplement the unearned premium reserve and the unexpired risk reserve already recognized, considering the risks in force and not written.

The risk fluctuation reserve is recognized to cover possible departures from expected commitments on the risk coverage offered by the Supplementary Pension Plans.

The financial surplus reserve corresponds to the financial surplus amounts to be credited to the participants, and is calculated when this benefit is prescribed.

The reserve for administrative expenses corresponds to the estimated expenses on the payment of current and future benefits of the supplementary pension and life insurance (VGBL) plans created by the Insurer.

i.2) Capitalization

The technical reserve for capitalization operations is determined by a percentage applied to the amounts received from underwriters, as established in the technical actuarial note of each product and in the general conditions of each proposal and may be redeemed under the conditions described in the respective capitalization certificate. Adjustment for inflation and interest credited to technical reserves are recorded as expenses on adjustment of and interest on Technical Reserves for Insurance, Pension Plan and Capitalization Operations.

j) Pension Plan

The actuarial liabilities related to pension plans are recorded based on an actuarial study made by independent actuaries, by the end of each period and used in the following period, in accordance with CVM Resolution 371/2000.

Expenses related to sponsors' contributions to the plans are recognized on the accrual basis.

k) Contingent Assets and Liabilities and Legal Obligations

k.1) Contingent Assets
Contingent assets are not recorded, except when there are real guarantees or unappealable court decisions, for which a favorable outcome is practically certain. Contingent assets whose likelihood of favorable outcome is probable, if any, are only disclosed in the financial statements.

k.2) Contingent Liabilities
Contingent liabilities are recorded based on the nature, complexity and history of lawsuits, and on the opinion of the in-house and outside legal counsel when the risk of loss on the administrative or judicial proceeding is considered as probable and the amounts can be reasonably determined.

k.3) Legal Obligations - Tax and Social Security
Refer to judicial and administrative proceedings related to tax and social security obligations challenging their legality or constitutionality which, regardless of the assessment of the likelihood of a favorable outcome, have their amounts fully recorded in the financial statements.

l) Deferred Income

Refers to income received before the completion of the term of the obligation that gave rise to it, including non-refundable income, mainly related to guarantees and collaterals provided and credit card annual fees. Deferred income is recorded in income over the term of the respective agreements.

m) Income and Social Contribution Taxes

Income tax is calculated at the rate of 15% plus a 10% surtax; social contribution tax is calculated at the rate of 15% (9% in 2007 and the period from January 1st to April 30, 2008) for financial institutions, and for non-financial companies the social contribution tax rate is 9%, after adjustments determined by tax legislation. Deferred tax assets and liabilities are computed basically on certain temporary differences between the book and tax basis of assets and liabilities, tax losses, and adjustments to fair value of securities and derivatives.

In accordance with the current regulation, the expected realization of the Bank's tax credits, as shown in Note 12, is based on the projection of future income and a technical study.

n) Impairment Valuation

From July 1st 2008, the non-financial assets are subject to the annual impairment test or more frequently if conditions or circumstances indicate the possibility of losing its values.

5. Cash and Cash Equivalents

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Cash	**2.449.760**	**1.641.665**	**5.087.316**	**1.641.705**
Interbank investments	**21.436.353**	**20.210.659**	**23.173.647**	**20.210.659**
Money market investments	12.857.439	18.347.855	12.857.439	18.347.855
Interbank deposits	258.455	88.200	687.952	88.200
Foreign currency investments	8.320.459	1.774.604	9.628.256	1.774.604
Total	**23.886.113**	**21.852.324**	**28.260.963**	**21.852.364**

6. Interbank Investments

	Bank				
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Money market investments	**16.158.661**	**1.949.357**	**-**	**18.108.018**	**21.929.663**
Own portfolio	**3.700.727**	**446.190**	**-**	**4.146.917**	**2.484.862**
Treasury bills - LFT	11	-	-	11	417.315
National Treasury bills - LTN	668.696	-	-	668.696	1.005.216
National Treasury notes - NTN	2.999.111	446.190	-	3.445.301	966.696
Securities issued abroad by the Brazilian government	3.154	-	-	3.154	95.635
Other	29.755	-	-	29.755	-
Third-party portfolio	**12.132.549**	**831.653**	**-**	**12.964.202**	**19.444.801**
Treasury bills - LFT	1.002.293	-	-	1.002.293	11.654.363
National Treasury bills - LTN	4.651.878	-	-	4.651.878	7.790.438
National Treasury notes - NTN	6.478.378	831.653	-	7.310.031	-
Sold Position	**325.385**	**671.514**	**-**	**996.899**	**-**
National Treasury notes - NTN	325.385	671.514	-	996.899	-
Interbank deposits	**843.248**	**2.180.998**	**1.217.683**	**4.241.929**	**1.701.007**
Foreign currency investments	**8.320.459**	**-**	**465.641**	**8.786.100**	**1.774.604**
Allowance for losses	**-**	**-**	**(200)**	**(200)**	**(200)**
Total	**25.322.368**	**4.130.355**	**1.683.124**	**31.135.847**	**25.405.074**
Current				**29.452.723**	**24.757.573**
Long-term				**1.683.124**	**647.501**

	Consolidated				
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Money market investments	**16.158.661**	**1.949.357**	**18.122**	**18.126.140**	**21.929.663**
Own portfolio	**5.121.027**	**446.190**	**18.122**	**5.585.339**	**2.539.458**
Treasury bills - LFT	44.344	-	-	44.344	417.315
National Treasury bills - LTN	668.696	-	-	668.696	1.059.812
National Treasury notes - NTN	4.375.078	446.190	-	4.821.268	966.696
Securities issued abroad by the Brazilian government	3.154	-	-	3.154	95.635
Other	29.755	-	18.122	47.877	-
Third-party portfolio	**10.712.249**	**831.653**	**-**	**11.543.902**	**19.390.205**
Treasury bills - LFT	957.959	-	-	957.959	11.654.363
National Treasury bills - LTN	4.651.878	-	-	4.651.878	7.735.842
National Treasury notes - NTN	5.102.412	831.653	-	5.934.065	-
Sold Position	**325.385**	**671.514**	**-**	**996.899**	**-**
National Treasury notes - NTN	325.385	671.514	-	996.899	-
Interbank deposits	**2.119.236**	**5.104.296**	**2.707.061**	**9.930.593**	**1.692.891**
Foreign currency investments	**8.745.089**	**-**	**465.641**	**9.210.730**	**1.774.604**
Allowance for losses	**-**	**-**	**(200)**	**(200)**	**(200)**
Total	**27.022.986**	**7.053.653**	**3.190.624**	**37.267.263**	**25.396.958**
Current				**34.076.639**	**24.749.457**
Long-term				**3.190.624**	**647.501**

7. Securities and Derivatives

a) Securities

I) By Category

				Bank	
				2008	2007
		Effect of adjustment to fair value on:		Carrying	Carrying
Categories	Cost	Income	Equity	amount	amount
Trading securities	**9.066.829**	**(39.939)**	**-**	**9.026.890**	**10.595.913**
Government Securities	6.697.754	52.624	-	6.750.378	8.302.845
Private Securities	2.369.075	(92.563)	-	2.276.512	2.293.068
Available-for-sale securities	**12.785.372**	**-**	**185.698**	**12.971.070**	**8.862.375**
Government Securities	7.786.206	-	122.875	7.909.081	4.750.664
Private Securities	4.999.166	-	62.823	5.061.989	4.111.711
Held-to-maturity securities	**843.424**	**-**	**-**	**843.424**	**766.565**
Government Securities	843.424	-	-	843.424	766.565
Subtotal	**22.695.625**	**(39.939)**	**185.698**	**22.841.384**	**20.224.853**
Derivatives (Assets)	**5.829.283**	**1.639.404**	**-**	**7.468.687**	**3.420.312**
Total Securities and Derivatives	**28.524.908**	**1.599.465**	**185.698**	**30.310.071**	**23.645.165**
Current				**17.041.998**	**15.300.972**
Long-term				**13.268.073**	**8.344.193**
Derivatives (Liabilities)	**(6.589.622)**	**(1.858.971)**	**-**	**(8.448.593)**	**(4.567.555)**
Current				**(5.815.703)**	**(3.226.639)**
Long-term				**(2.632.890)**	**(1.340.916)**

				Consolidated	
				2008	2007
		Effect of adjustment to fair value on:		Carrying	Carrying
Categories	**Cost**	**Income**	**Equity**	**amount**	**amount**
Trading securities	**13.731.612**	**9.244**	**-**	**13.740.856**	**9.245.868**
Government Securities	9.870.637	101.807	-	9.972.444	8.368.816
Private Securities	1.276.083	(92.563)	-	1.183.520	877.052
Investment fund shares for guarantee of PGBL/VGBL benefit plans	2.584.892	-	-	2.584.892	-
Available-for-sale securities	**30.959.486**	**-**	**103.393**	**31.062.879**	**7.035.031**
Government Securities	26.183.373	-	237.331	26.420.704	4.851.243
Private Securities	4.776.113	-	(133.938)	4.642.175	2.183.788
Held-to-maturity securities	**1.495.208**	**-**	**-**	**1.495.208**	**766.565**
Government Securities	1.290.935	-	-	1.290.935	766.565
Private Securities	204.273	-	-	204.273	-
Total Securities	**46.186.306**	**9.244**	**103.393**	**46.298.943**	**17.047.464**
Derivatives (Assets)	**8.483.960**	**1.041.570**	**-**	**9.525.530**	**3.416.973**
Total Securities and Derivatives	**54.670.266**	**1.050.814**	**103.393**	**55.824.473**	**20.464.437**
Current				**26.509.181**	**14.024.674**
Long-term				**29.315.292**	**6.439.763**
Derivatives (Liabilities)	**(9.753.900)**	**(1.861.383)**	**-**	**(11.615.283)**	**(4.564.131)**
Current				**(7.763.795)**	**(3.226.346)**
Long-term				**(3.851.488)**	**(1.337.785)**

II)Trading Securities

			Bank	
			2008	2007
		Adjustment		
		to fair value -	Carrying	Carrying
Trading Securities	**Cost**	**income**	**amount**	**amount**
Government Securities	**6.697.754**	**52.624**	**6.750.378**	**8.302.845**
Treasury certificates - CFT	50.964	14	50.978	40.876
National Treasury bills - LTN	2.308.334	11.424	2.319.758	3.160.082
Treasury bills - LFT	1.093.787	(125)	1.093.662	637.699
National Treasury notes - NTN B	2.160.174	47.328	2.207.502	2.777.109
National Treasury notes - NTN C	23.177	(546)	22.631	679.940
National Treasury notes - NTN D	-	-	-	17.278
National Treasury notes - NTN F	792.842	(581)	792.261	678.918
Agricultural debt securities - TDA	213.808	(4.890)	208.918	191.444
Global bonds	54.668	-	54.668	119.499
Private Securities	**2.369.075**	**(92.563)**	**2.276.512**	**2.293.068**
Shares	254.339	(101.340)	152.999	301.156
Receivables Investment Fund [1]	248.776	-	248.776	280.812
Investment fund shares	102.532	-	102.532	10
Debentures	1.763.428	8.777	1.772.205	1.665.157
Eurobonds	-	-	-	23.905
Certificates of real estate receivables - CRI	-	-	-	22.028
Total	**9.066.829**	**(39.939)**	**9.026.890**	**10.595.913**

						Bank
						2008
Trading Securities	**Without**	**Up to**	**From 3 to**	**From 1 to**	**Over**	
by maturity	**maturity**	**3 months**	**12 months**	**3 years**	**3 years**	**Total**
Government Securities	**-**	**696.950**	**2.028.881**	**777.990**	**3.246.557**	**6.750.378**
Treasury certificates - CFT	-	-	-	-	50.978	50.978
National Treasury bills - LTN	-	602.820	1.319.820	397.118	-	2.319.758
Treasury bills - LFT	-	4.479	387.896	46.484	654.803	1.093.662
National Treasury notes - NTN B	-	15.964	250.586	177.965	1.762.987	2.207.502
National Treasury notes - NTN C	-	361	-	-	22.270	22.631
National Treasury notes - NTN F	-	42.265	-	90.407	659.589	792.261
Agricultural debt securities - TDA	-	29.227	70.559	66.016	43.116	208.918
Global bonds	-	1.834	20	-	52.814	54.668
Private Securities	**255.531**	**15.436**	**4.723**	**174.569**	**1.826.253**	**2.276.512**
Shares	152.999	-	-	-	-	152.999
Receivables Investment Fund [1]	-	15.436	-	110.916	122.424	248.776
Investment fund shares	102.532	-	-	-	-	102.532
Debentures	-	-	4.723	63.653	1.703.829	1.772.205
Total	**255.531**	**712.386**	**2.033.604**	**952.559**	**5.072.810**	**9.026.890**

	Consolidated			
			2008	2007
Trading Securities	**Cost**	**Adjustment to fair value - equity**	**Carrying amount**	**Carrying amount**
Government Securities	**9.870.637**	**101.807**	**9.972.444**	**8.368.816**
Treasury certificates - CFT	50.964	14	50.978	40.876
National Treasury bills - LTN	3.937.314	12.553	3.949.867	3.160.082
Treasury bills - LFT	1.366.373	(205)	1.366.168	703.670
National Treasury notes - NTN B	2.160.174	47.328	2.207.502	2.777.109
National Treasury notes - NTN C	23.177	(546)	22.631	679.940
National Treasury notes - NTN D	-	-	-	17.278
National Treasury notes - NTN F	1.676.168	34.199	1.710.367	678.918
Agricultural debt securities - TDA	213.870	(4.890)	208.980	191.444
Global Bonds	442.597	13.354	455.951	119.499
Private Securities	**1.276.083**	**(92.563)**	**1.183.520**	**877.052**
Shares	255.992	(101.340)	154.652	301.156
Receivables Investment Fund - FIDC [1]	248.776	-	248.776	280.812
Investment fund shares in Participation - FIP	102.532	-	102.532	10
Investment fund shares	590.298	-	590.298	83.445
Debentures	78.485	8.777	87.262	165.696
Eurobonds	-	-	-	23.905
Certificates of real estate receivables - CRI	-	-	-	22.028
Investment fund shares for guarantee of PGBL/VGBL benefit plans	**2.584.892**	**-**	**2.584.892**	**-**
Total	**13.731.612**	**9.244**	**13.740.856**	**9.245.868**

	Consolidated					
						2008
Trading Securities by maturity	**Without maturity**	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**Over 3 years**	**Total**
Government Securities	**-**	**2.379.982**	**2.453.505**	**850.616**	**4.288.341**	**9.972.444**
Treasury certificates - CFT	-	-	-	-	50.978	50.978
National Treasury bills - LTN	-	2.203.106	1.322.673	424.088	-	3.949.867
Treasury bills - LFT	-	87.225	408.368	92.109	778.466	1.366.168
National Treasury notes - NTN B	-	15.964	250.586	177.965	1.762.987	2.207.502
National Treasury notes - NTN C	-	361	-	-	22.270	22.631
National Treasury notes - NTN F	-	42.265	-	90.407	1.577.695	1.710.367
Agricultural debt securities - TDA	-	29.227	70.575	66.047	43.131	208.980
Global Bonds	-	1.834	401.303	-	52.814	455.951
Private Securities	**847.482**	**15.436**	**4.723**	**174.569**	**141.310**	**1.183.520**
Shares	154.652	-	-	-	-	154.652
Receivables Investment Fund - FIDC [1]	-	15.436	-	110.916	122.424	248.776
Investment fund shares in Participation - FIP	102.532	-	-	-	-	102.532
Investment fund shares	590.298	-	-	-	-	590.298
Debentures	-	-	4.723	63.653	18.886	87.262
Investment fund shares for guarantee of PGBL/VGBL benefit plans	**2.584.892**	**-**	**-**	**-**	**-**	**2.584.892**
Total	**3.432.374**	**2.395.418**	**2.458.228**	**1.025.185**	**4.429.651**	**13.740.856**

III) Available-for-sale Securities

	Bank	
	2008	2007
Available-for-sale securities	**Cost**	**Adjustment to Fair Value - Equity**	**Carrying Amount**	**Carrying Amount**
Government Securities	**7.786.206**	**122.875**	**7.909.081**	**4.750.664**
National Treasury bonus - BTN	-	-	-	1.820
Treasury certificates - CFT	71.320	7.227	78.547	63.001
Securitized credit	928	467	1.395	51.086
National Treasury bills - LTN	3.186.639	24.733	3.211.372	283.141
Treasury bills - LFT	261.265	(532)	260.733	1.219
National Treasury notes - NTN A	153.523	(38.186)	115.337	113.969
National Treasury notes - NTN B	1.948.017	(92.204)	1.855.813	1.198.639
National Treasury notes - NTN C	562.803	236.652	799.455	747.555
National Treasury notes - NTN F	1.601.406	(15.266)	1.586.140	2.286.163
National Treasury notes - NTN P	98	(16)	82	72
Agricultural debt securities - TDA	207	-	207	3.999
Private Securities	**4.999.166**	**62.823**	**5.061.989**	**4.111.711**
Shares	299.091	48.697	347.788	1.095.337
Debentures	2.800.341	12.320	2.812.661	2.555.449
Eurobonds	231.581	-	231.581	2.032
Promissory notes - NP	1.447.819	-	1.447.819	221.129
Real estate credit notes - CCI	24.947	-	24.947	-
Certificates of real estate receivables - CRI	195.387	1.806	197.193	237.764
Total	**12.785.372**	**185.698**	**12.971.070**	**8.862.375**

	Bank					2008
Available-for-sale securities by maturity	**Without maturity**	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**Over 3 years**	**Total**
Government Securities	**-**	**293.655**	**894.681**	**3.493.629**	**3.227.116**	**7.909.081**
Treasury certificates - CFT	-	-	-	-	78.547	78.547
Securitized credit	-	-	-	-	1.395	1.395
National Treasury bills - LTN	-	200.000	260.420	2.750.952	-	3.211.372
Treasury bills - LFT	-	-	-	-	260.733	260.733
National Treasury notes - NTN A	-	-	875	-	114.462	115.337
National Treasury notes - NTN B	-	2.653	633.181	209.733	1.010.246	1.855.813
National Treasury notes - NTN C	-	12.744	-	-	786.711	799.455
National Treasury notes - NTN F	-	78.257	-	532.943	974.940	1.586.140
National Treasury notes - NTN P	-	-	-	-	82	82
Agricultural debt securities - TDA	-	1	205	1	-	207
Private Securities	**347.788**	**81.658**	**1.543.914**	**438.314**	**2.650.315**	**5.061.989**
Shares	347.788	-	-	-	-	347.788
Debentures	-	33.950	96.339	438.314	2.244.058	2.812.661
Eurobonds	-	186	4	-	231.391	231.581
Promissory notes - NP	-	10.368	1.437.451	-	-	1.447.819
Real estate credit notes - CCI	-	-	-	-	24.947	24.947
Certificates of real estate receivables - CRI	-	37.154	10.120	-	149.919	197.193
Total	**347.788**	**375.313**	**2.438.595**	**3.931.943**	**5.877.431**	**12.971.070**

	Consolidated			
			2008	2007
Available-for-sale securities	**Cost**	**Adjustment to fair value - equity**	**Carrying amount**	**Carrying amount**
Government Securities	**26.183.373**	**237.331**	**26.420.704**	**4.851.243**
National Treasury bonus - BTN	-	-	-	1.820
Treasury certificates - CFT	71.320	7.227	78.547	63.001
Securitized credit	928	467	1.395	51.086
National Treasury bills - LTN	14.390.631	64.951	14.455.582	283.141
Treasury bills - LFT	651.430	1.008	652.438	101.798
National Treasury notes - NTN A	153.523	(38.186)	115.337	113.969
National Treasury notes - NTN B	2.183.220	(101.290)	2.081.930	1.198.639
National Treasury notes - NTN C	562.803	236.652	799.455	747.555
National Treasury notes - NTN F	8.168.530	66.509	8.235.039	2.286.163
National Treasury notes - NTN M	683	9	692	-
National Treasury notes - NTN P	98	(16)	82	72
Agricultural debt securities - TDA	207	-	207	3.999
Private Securities	**4.776.113**	**(133.938)**	**4.642.175**	**2.183.788**
Shares	709.694	(130.937)	578.757	1.095.337
Receivables Investment Fund - FIDC [1]	27.773	-	27.773	-
Investment fund shares in Participation - FIP	14.519	1.179	15.698	-
Debentures	1.112.501	(4.315)	1.108.186	627.526
Eurobonds	231.581	-	231.581	2.032
Promissory notes - NP	1.993.534	(4.628)	1.988.906	221.129
Bank certificates of deposits - CDB	100.150	-	100.150	-
Real estate credit notes - CCI	24.947	-	24.947	-
Certificates of real estate receivables - CRI	552.888	4.352	557.240	237.764
Agribusiness receivables certificates - CDCA	8.051	411	8.462	-
Others	475	-	475	-
Total	**30.959.486**	**103.393**	**31.062.879**	**7.035.031**

	Consolidated					
						2008
Available-for-sale securities by maturity	**Without maturity**	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**Over 3 years**	**Total**
Government Securities	**-**	**2.603.270**	**1.120.257**	**12.522.785**	**10.174.392**	**26.420.704**
Treasury certificates - CFT	-	-	-	-	78.547	78.547
Securitized credit	-	-	-	-	1.395	1.395
National Treasury bills - LTN	-	2.472.347	353.480	11.620.839	8.916	14.455.582
Treasury bills - LFT	-	37.268	131.824	4.343	479.003	652.438
National Treasury notes - NTN A	-	-	875	-	114.462	115.337
National Treasury notes - NTN B	-	2.653	633.181	284.968	1.161.128	2.081.930
National Treasury notes - NTN C	-	12.744	-	-	786.711	799.455
National Treasury notes - NTN F	-	78.257	-	612.634	7.544.148	8.235.039
National Treasury notes - NTN M	-	-	692	-	-	692
National Treasury notes - NTN P	-	-	-	-	82	82
Agricultural debt securities - TDA	-	1	205	1	-	207
Private Securities	**578.757**	**115.591**	**2.186.877**	**737.558**	**1.023.392**	**4.642.175**
Shares [1]	578.757	-	-	-	-	578.757
Receivables Investment Fund - FIDC [1]	-	-	27.773	-	-	27.773
Investment fund shares in Participation - FIP	-	-	-	-	15.698	15.698
Debentures	-	42.393	165.611	668.719	231.463	1.108.186
Eurobonds	-	186	4	-	231.391	231.581
Promissory notes - NP	-	10.368	1.978.538	-	-	1.988.906
Bank certificates of deposits - CDB	-	25.015	4.831	41.953	28.351	100.150
Real estate credit notes - CCI	-	-	-	-	24.947	24.947
Certificates of real estate receivables - CRI	-	37.154	10.120	26.886	483.080	557.240
Agribusiness receivables certificates - CDCA	-	-	-	-	8.462	8.462
Others	-	475	-	-	-	475
Total	**578.757**	**2.718.861**	**3.307.134**	**13.260.343**	**11.197.784**	**31.062.879**

(1) Receivables Investment Fund (FIDC) shares are calculated based on the value of the receivables and other financial assets in the respective portfolios, less respective provisions that take into consideration aspects related to the debtors, their guarantors and the corresponding transaction's characteristics, according to accounting standards and practices for evaluating credits, and are not adjusted to fair value.

IV) Held-to-maturity securities

	Bank			
				2008
	2008	2007		by Maturity
Held-to-maturity securities [1]	**Cost/carrying amount**	**Cost/carrying amount**	**Up to 3 months**	**Over 3 years**
Government Securities	**843.424**	**766.565**	**19.875**	**823.549**
National Treasury notes - NTN C	843.424	766.565	19.875	823.549
Total	**843.424**	**766.565**	**19.875**	**823.549**

	Consolidated	
	2008	2007
Held-to-maturity securities [1]	Cost/carrying amount	Cost/carrying amount
Government Securities	**1.290.935**	**766.565**
National Treasury notes - NTN B	109.580	-
National Treasury notes - NTN C	1.152.039	766.565
National Treasury notes - NTN I	26.728	-
National Treasury notes - NTN M	2.313	-
Agricultural debt securities - TDA	275	-
Private Securities	**204.273**	**-**
Debentures	91.709	-
Securitization Debts	1.699	-
Bank certificates of deposits - CDB	16.649	-
Credit Linked Notes	94.216	-
Total	**1.495.208**	**766.565**

	Consolidated				
					2008
Held-to-maturity Held-to-maturity securities [1]	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**Over 3 years**	**Total**
Government Se Government Securities	**23.024**	**11.057**	**11.928**	**1.244.926**	**1.290.935**
National Treasury notes - NTN B	-	-	-	109.580	109.580
National Treasury notes - NTN C	19.875	-	-	1.132.164	1.152.039
National Treasury notes - NTN I	3.149	8.469	11.928	3.182	26.728
National Treasury notes - NTN M	-	2.313	-	-	2.313
Agricultural debt securities - TDA	-	275	-	-	275
Private Securities	**2.355**	**94.461**	**107.457**	**-**	**204.273**
Debentures	-	-	91.709	-	91.709
Securitization Debts	1.699	-	-	-	1.699
Bank certificates of deposits - CDB	656	245	15.748	-	16.649
Credit Linked Notes	-	94.216	-	-	94.216
Total	**25.379**	**105.518**	**119.385**	**1.244.926**	**1.495.208**

(1) The fair value of Held-to-Maturity Securities, R$1,244,349 in the Bank and R$1,957,393 in the Consolidated (2007 - R$1,163,274 Bank and Consolidated).

During the fourth quarter of 2008, Banco Real transferred R$80,693 related to Certificates of Real Estate Receivables - CRI from "Held-to-Maturity" to "Available-for-Sale".

In accordance with Central Bank of Brazil Circular 3068/2001, article 8,Santander has the positive intent and ability to hold to maturity the securities classified as Held-to-Maturity Securities.

The fair value of securities is computed based on the average quotation on organized markets and their estimated cash flows, discounted to present value using the applicable interest rate, which are considered representative of the market conditions at the balance sheet date.

The principal interest rates are obtained from futures and swap contracts traded on the BM&F Bovespa - Securities, Commodities and Futures Exchange (BM&FBovespa). Adjustments to these curves are made whenever certain points are considered illiquid or when, for unusual reasons, they do not fairly represent market conditions.

V) Financial Income - Securities Transactions

	Bank		Consolidated	
	2008	2007	2008	2007
Income from fixed-income securities	4.525.787	3.958.055	5.233.676	3.611.671
Income from interbank investments	2.245.160	2.122.317	2.657.283	2.118.466
Income from variable-income securities	(284.340)	(52.440)	(215.121)	(43.243)
Other	39.879	59.159	61.922	66.413
Total	**6.526.486**	**6.087.091**	**7.737.760**	**5.753.307**

b) Derivatives

Santander operates according to global policies, classified based on the risk appetite of the Santander Group in Spain, aligned with the objectives in Brazil and worldwide, taking into consideration the guidance of the Board of Directors and in compliance with Bacen regulation and good international practices, to hedge capital and ensure the profitability of business.

Santander's risk management is guided by principles such as independence and collegiate decisions, and is present in its policies, procedures and goals.

Credit risk is the exposure to losses in the event of default by a counterparty. Credit risk management is intended to provide insight to define strategies and set limits, covering the analysis of exposures and trends, as well as the efficiency of the credit policy.

Operating risk is the probability of financial losses resulting from failures or flaws in people, processes and systems or any other adverse market conditions. Operating risk management and control are intended to ensure the efficiency of the Internal Control system, and prevent, mitigate and reduce risks and losses.

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. Market risk management uses practices that include measuring and following up on the use of limits previously set in internal committees, the value at risk of portfolios, the sensitivities to fluctuations in interest rates, foreign exchange exposure, liquidity gaps, among other practices that permit monitoring risks that might impact the Bank's portfolio positions in the different marketplaces where it operates.

In this context, Santander uses derivatives, recorded in balance sheet and memorandum accounts, to minimize the market risks of the Bank's overall exposure, resulting from its operation.

The fair value of swaps is computed based on the estimated cash flows of each position, discounted to present value according to the applicable interest rate curves, considered as representative of the market conditions at the balance sheet date.

For options, Santander adopts statistical models that consider the volatility of the asset price and interest rates representative of the market conditions at the balance sheet

The principal interest rates are obtained from futures and swap agreements traded on the BM&FBovespa. Adjustments to these curves are made whenever certain points are considered illiquid or when due to unusual reasons, they do not fairly represent market conditions.

The exposure to credit risk in futures contracts is minimized by daily settlement. Swap agreements are subject to credit risks in the event the counterparty is unable or unwilling to fulfill its contractual obligations.

I) Derivatives recorded in memorandum and balance sheets

						Bank
			2008			2007
			Trading			Trading
	Notional	Cost	Fair Value	Notional	Cost	Fair Value
Swap		**(854.963)**	**(799.964)**		**318.192**	**315.831**
Asset	**72.531.467**	**11.575.390**	**11.854.580**	**56.839.989**	**11.637.567**	**11.631.619**
CDI (interbank deposit rates)	28.206.918	5.450.602	5.471.960	28.070.002	7.082.460	7.039.360
Fixed interest rate - R$	6.401.816	4.982.884	5.255.863	4.536.786	2.977.752	3.007.407
Fixed interest rate - foreign currency [1]	10.251.678	-	-	4.305.455	1.577.355	1.584.852
Indexed to price and interest rates	9.293.497	-	-	11.172.837	-	-
Indexed to foreign currency [1]	17.057.537	-	-	8.731.075	-	-
Other indexes	1.320.021	1.141.904	1.126.757	23.834	-	-
Liabilities	**73.386.430**	**(12.430.353)**	**(12.654.544)**	**56.521.797**	**(11.319.375)**	**(11.315.788)**
CDI (interbank deposit rates)	22.756.316	-	-	20.987.542	-	-
Fixed interest rate - R$	1.418.932	-	-	1.559.034	-	-
Fixed interest rate - foreign currency [1]	13.962.104	(3.710.426)	(3.886.710)	2.728.100	-	-
Indexed to price and interest rates	11.861.241	(2.567.744)	(2.466.640)	12.516.102	(1.343.265)	(1.309.952)
Indexed to foreign currency [1]	23.209.720	(6.152.183)	(6.301.194)	18.537.690	(9.806.615)	(9.843.035)
Other indexes	178.117	-	-	193.329	(169.495)	(162.801)
Options	**212.623.490**	**(1.490.378)**	**(1.692.118)**	**229.947.446**	**(1.953.364)**	**(1.883.617)**
Purchased Position	**91.029.139**	**1.594.150**	**2.734.350**	**88.435.451**	**258.788**	**240.922**
Call option - Dollar	12.131.587	1.171.183	2.255.013	20.803.174	40.527	24.011
Put option - Dollar	8.340.926	157.523	104.943	2.300.670	29.053	26.508
Call option - Other [2]	36.236.913	201.312	138.437	30.808.317	136.302	127.903
Put option - Other [2]	34.319.713	64.132	235.957	34.523.290	52.906	62.500
Sold Position	**121.594.351**	**(3.084.528)**	**(4.426.468)**	**141.511.995**	**(2.212.152)**	**(2.124.539)**
Call option - Dollar	22.309.882	(2.286.649)	(3.555.888)	30.966.641	(803.998)	(620.886)
Put option - Dollar	15.585.970	(401.228)	(320.395)	21.013.420	(1.092.604)	(1.120.631)
Call option - Other [2]	53.805.620	(285.641)	(380.020)	57.199.347	(191.859)	75.935
Put option - Other [2]	29.892.879	(111.010)	(170.165)	32.332.587	(123.691)	(458.957)
Futures Contracts	**38.771.007**	**-**	**-**	**27.737.715**	**-**	**-**
Purchased Position	**12.593.591**	**-**	**-**	**16.730.656**	**-**	**-**
Exchange coupon - DDI	7.017.054	-	-	3.417.298	-	-
Interest rates (DI1 and DIA)	3.887.472	-	-	8.038.348	-	-
Foreign currency	1.606.793	-	-	5.115.296	-	-
Indexes [3]	48.429	-	-	978	-	-
Treasury Bonds/Notes	-	-	-	143.354	-	-
Other	33.843	-	-	15.382	-	-
Sold Position	**26.177.416**	**-**	**-**	**11.007.059**	**-**	**-**
Exchange coupon - DDI	4.288.048	-	-	2.395.124	-	-
Interest rates (DI1 and DIA)	16.781.651	-	-	8.201.301	-	-
Foreign currency	4.837.201	-	-	38.523	-	-
Indexes [3]	95.899	-	-	122.644	-	-
Treasury Bonds/Notes	88.694	-	-	184.178	-	-
Other	85.923	-	-	65.289	-	-
Forward Contracts and Others	**15.868.287**	**1.585.002**	**1.512.176**	**8.357.260**	**389.350**	**420.543**
Purchased Commitment	**11.850.088**	**1.703.150**	**1.625.805**	**4.895.781**	**(236.062)**	**(197.106)**
Currencies	11.830.481	1.696.174	1.618.870	4.895.781	(236.062)	(197.106)
Stocks	6.976	6.976	6.935	-	-	-
Equities	12.631	-	-	-	-	-
Sell Commitment	**4.018.199**	**(118.148)**	**(113.629)**	**3.461.479**	**625.412**	**617.649**
Currencies	3.985.759	(119.001)	(114.482)	2.917.676	89.359	82.991
Stocks	-	-	-	543.423	537.169	535.774
Equities	32.440	853	853	380	(1.116)	(1.116)

	Consolidated					
	2008			2007		
	Trading			Trading		
	Notional	Cost	Fair Value	Notional	Cost	Fair Value
Swap		**(2.240.542)**	**(2.028.461)**		**316.381**	**315.916**
Asset	**112.234.443**	**18.139.411**	**18.354.576**	**56.417.815**	**11.635.756**	**11.631.704**
CDI (interbank deposit rates)	37.294.422	12.831.596	12.800.349	28.048.281	7.459.313	7.416.089
Fixed interest rate - R$	6.160.622	4.165.911	4.427.470	4.136.333	2.599.088	2.630.763
Fixed interest rate - foreign currency [1]	25.483.464	-	-	4.305.455	1.577.355	1.584.852
Indexed to price and interest rates	11.126.200	-	-	11.172.837	-	-
Indexed to foreign currency [1]	30.849.714	-	-	8.731.075	-	-
Other indexes	1.320.021	1.141.904	1.126.757	23.834	-	-
Liabilities	**114.474.985**	**(20.379.953)**	**(20.383.037)**	**56.101.434**	**(11.319.375)**	**(11.315.788)**
CDI (interbank deposit rates)	24.462.826	-	-	20.588.968	-	-
Fixed interest rate - R$	1.994.711	-	-	1.537.245	-	-
Fixed interest rate - foreign currency [1]	28.299.419	(2.815.955)	(2.051.019)	2.728.100	-	-
Indexed to price and interest rates	13.628.086	(2.501.886)	(2.515.287)	12.516.102	(1.343.265)	(1.309.952)
Indexed to foreign currency [1]	45.911.826	(15.062.112)	(15.816.731)	18.537.690	(9.806.615)	(9.843.035)
Other indexes	178.117	-	-	193.329	(169.495)	(162.801)
Options	**212.584.432**	**(607.770)**	**(1.734.558)**	**229.947.446**	**(1.953.364)**	**(1.883.617)**
Purchased Position	**92.481.061**	**1.078.141**	**2.275.921**	**88.435.451**	**258.788**	**240.922**
Call option - Dollar	13.608.847	629.795	1.796.877	20.803.174	40.527	24.011
Put option - Dollar	8.315.588	182.902	104.650	2.300.670	29.053	26.508
Call option - Other [2]	36.236.913	201.312	138.437	30.808.317	136.302	127.903
Put option - Other [2]	34.319.713	64.132	235.957	34.523.290	52.906	62.500
Sold Position	**120.103.371**	**(1.685.911)**	**(4.010.479)**	**141.511.995**	**(2.212.152)**	**(2.124.539)**
Call option - Dollar	20.934.382	(863.347)	(3.140.525)	30.966.641	(803.998)	(620.886)
Put option - Dollar	15.585.970	(426.249)	(320.104)	21.013.420	(1.092.604)	(1.120.631)
Call option - Other [2]	53.690.140	(285.305)	(379.685)	57.199.347	(191.859)	75.935
Put option - Other [2]	29.892.879	(111.010)	(170.165)	32.332.587	(123.691)	(458.957)
Futures Contracts	**75.360.026**	**-**	**-**	**27.737.715**	**-**	**-**
Purchased Position	**26.519.120**	**-**	**-**	**16.730.656**	**-**	**-**
Exchange coupon - DDI	13.580.134	-	-	3.417.298	-	-
Interest rates (DI1 and DIA)	7.368.308	-	-	8.038.348	-	-
Foreign currency	5.488.406	-	-	5.115.296	-	-
Indexes [3]	48.429	-	-	978	-	-
Treasury Bonds/Notes	-	-	-	143.354	-	-
Other	33.843	-	-	15.382	-	-
Sold Position	**48.840.906**	**-**	**-**	**11.007.059**	**-**	**-**
Exchange coupon - DDI	8.088.018	-	-	2.395.124	-	-
Interest rates (DI1 and DIA)	35.498.376	-	-	8.201.301	-	-
Foreign currency	4.983.996	-	-	38.523	-	-
Indexes [3]	95.899	-	-	122.644	-	-
Treasury Bonds/Notes	88.694	-	-	184.178	-	-
Other	85.923	-	-	65.289	-	-
Forward Contracts and Others	**16.429.235**	**1.939.904**	**1.831.717**	**8.357.260**	**389.350**	**420.543**
Purchase Commitment	**11.931.923**	**2.190.746**	**2.115.319**	**4.895.781**	**(236.062)**	**(197.106)**
Currencies	11.912.316	2.183.770	2.108.384	4.895.781	(236.062)	(197.106)
Equities	6.976	6.976	6.935	-	-	-
Other	12.631	-	-	-	-	-
Sell Commitment	**4.497.312**	**(250.842)**	**(283.602)**	**3.461.479**	**625.412**	**617.649**
Currencies	4.464.872	(251.695)	(284.455)	2.917.676	89.359	82.991
Equities	-	-	-	543.423	537.169	535.774
Other	32.440	853	853	380	(1.116)	(1.116)

(1) Includes credit derivatives.
(2) Includes share options, indexes and commodities.
(3) Includes Bovespa, S&P, Russell and Futse Indexes.

II) Derivatives by counterparty

	Bank				
	Notional				
				2008	2007
	Customers	Related parties	Financial institutions [1]	Total	Total
Swap	29.320.297	22.380.209	20.830.961	72.531.467	56.839.989
Options	10.062.357	14.365.857	188.195.276	212.623.490	229.947.446
Futures Contracts	-	-	38.771.007	38.771.007	27.737.715
Forward Contracts and Others	9.298.716	6.383.592	185.979	15.868.287	8.357.260

	Consolidated				
	Notional				
				2008	2007
	Customers	Related parties	Financial institutions [1]	Total	Total
Swap	58.946.558	25.913.273	27.374.612	112.234.443	56.417.815
Options	10.214.517	2.412.214	199.957.701	212.584.432	229.947.446
Futures Contracts	-	-	75.360.026	75.360.026	27.737.715
Forward Contracts and Others	11.671.886	4.255.322	502.027	16.429.235	8.357.260

(1) Includes trades with the BM&FBovespa and other Securities and Commodities Exchanges.

III) Derivatives by maturity

	Bank				
	Notional				
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Swap	22.436.190	15.163.411	34.931.866	72.531.467	56.839.989
Options	142.019.559	36.529.771	34.074.160	212.623.490	229.947.446
Futures Contracts	23.440.867	4.583.627	10.746.513	38.771.007	27.737.715
Forward Contracts and Others	7.908.361	4.575.117	3.384.809	15.868.287	8.357.260

	Consolidated				
	Notional				
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Swap	30.683.247	24.952.103	56.599.093	112.234.443	56.417.815
Options	143.654.997	34.764.025	34.165.410	212.584.432	229.947.446
Futures Contracts	33.018.326	12.211.149	30.130.551	75.360.026	27.737.715
Forward Contracts and Others	8.132.515	5.297.192	2.999.528	16.429.235	8.357.260

IV) Derivatives by trade market

	Bank				
	Notional				
				2008	2007
	Exchange [1]	Cetip [2]	Over the counter	Total	Total
Swap	26.512.757	21.091.464	24.927.246	72.531.467	56.839.989
Options	189.237.274	23.270.736	115.480	212.623.490	229.947.446
Futures Contracts	38.771.007	-	-	38.771.007	27.737.715
Forward Contracts	6.976	11.128.562	4.732.749	15.868.287	8.357.260

	Consolidated				
	Notional				
				2008	2007
	Exchange [1]	Cetip [2]	Over the counter	Total	Total
Swap	30.066.068	55.103.301	27.065.074	112.234.443	56.417.815
Options	201.151.859	11.240.509	192.064	212.584.432	229.947.446
Futures Contracts	75.360.026	-	-	75.360.026	27.737.715
Forward Contracts	2.253.230	9.128.663	5.047.342	16.429.235	8.357.260

(1) Includes trades with the BM&FBovespa and other Securities and Commodities Exchanges.
(2) Includes amount traded on other clearinghouses

V) Credit Derivatives

The Bank enters into credit derivatives to reduce or eliminate is exposure to specific risks arising from the purchase or sale of assets associated with the credit portfolio management.

In 2008, Bank and Consolidated, the volume of credit derivatives with total return rate - credit risk received corresponds to R$697,606 of cost and R$696,162 of fair value, and the credit risk volume transferred corresponds to R$94,852 of cost and R$99,785 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$3,805.

VI) Derivatives used as Hedge instruments

Derivatives used as hedges by index are as follows:

- Market risk hedge	**Consolidated**		
	2008		
	Notional	**Curve**	**Market**
Swap Contracts	**(157.759)**	**(158.451)**	**(692)**
Asset	**1.701.594**	**1.709.404**	**7.810**
Interbank Deposit Rates - CDI	1.701.594	1.709.404	7.810
Liabilities	**1.859.353**	**1.867.855**	**8.502**
Indexed to foreign currency	1.612.926	1.620.756	7.830
Fixed interest rate - Reais	246.427	247.099	672
Hedge Object	**1.856.582**	**1.867.822**	**11.240**
Credit Portfolio			
Indexed to foreign currency	1.610.155	1.620.723	10.568
Fixed interest rate - Reais	246.427	247.099	672

- Cash flow hedge

Consolidated includes cash flow hedge - Future DI, with notional value of R$18,055,336 and maturities from January 2, 2009 to January 2, 2012. The mark-to-market effect is recorded in stockholders' equity and corresponds to a debit of R$85,917, net of taxes. The curve value and the fair values of transactions classified as hedges, Bank Certificates of Deposit (CDBs), is R$18,308,306 as of December 31, 2008.

The effectiveness obtained for the hedge portfolio as of December 31, 2008 is compliant with BACEN's requirements and no ineffective portion was identified to be recorded in income for the period.

VII) Financial Instruments Pledged as Guarantee

The amounts pledged to guarantee BM&FBovespa derivative transactions are comprised of federal government securities in the amount of R$4,132,707 (2007 - R$2,722,245) - Consolidated R$7,953,041 (2007 - R$2,801,041).

VIII) Financial Instruments Recorded in Assets and Liabilities

	Bank		**Consolidated**	
	2008	**2007**	**2008**	**2007**
Assets				
Swap differentials receivable [1]	2.894.817	2.529.921	5.050.014	2.526.582
Option premiums	2.734.351	240.922	2.275.922	240.922
Forward contracts and others	1.839.519	649.469	2.199.594	649.469
Total	**7.468.687**	**3.420.312**	**9.525.530**	**3.416.973**
Liabilities				
Swap differentials receivable [1]	3.694.781	2.214.090	7.236.926	2.210.666
Option premiums	4.426.469	2.124.539	4.010.480	2.124.539
Forward contracts and others	327.343	228.926	367.877	228.926
Total	**8.448.593**	**4.567.555**	**11.615.283**	**4.564.131**

(1) Includes swap options and credit derivatives.

c) Financial Instruments -Sensitivity Analysis

Banco Santander's risk management is focused on portfolios and risk factors pursuant to BACEN's regulations 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 Bank business lines and their possible hedges. Accordingly, based on the nature of the Bank's activities, the sensitivity analysis was fully applied to the trading portfolio, as this portfolio represents the exposures that may have impacts on the Bank's income.

The table below summarizes the stress values generated by the Bank's corporate systems, related to the trading portfolio, for each one of the portfolio scenarios as of December 31, 2008 and does not necessarily reflect the current position, in view of the market dynamics and the Bank's activities.

	Financial Consolidated [1]		
	2008		
Risk Factor	**scenario 1**	**scenario 2**	**scenario 3**
Coupon - US dollar	(1.092)	14.279	96.598
Coupon - other currencies	(1.198)	(11.981)	(59.903)
Fixed interest rate - Reais	(3.354)	(33.536)	(167.681)
Shares and indices	3.812	9.529	19.058
Inflation	(1.809)	(18.086)	(90.431)
Other	(3.609)	(36.091)	(180.455)
Total	**(7.250)**	**(75.886)**	**(382.814)**

(1) Amounts calculated based on the consolidated information of the financial institutions (financial group).

Scenarios 2 and 3 above consider the deterioration situations established in CVM Instruction 475, of December 17, 2008, 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 a shock of 10 base points on the foreign currencies coupon curves, plus a shock of 10% on the currency and stock market spot positions, and a shock above ten base points on the volatility surface of currencies used to price options.

Scenario 2: corresponds to a shock of 100 base points on the foreign currency coupon curves, plus a shock of 25% on the currency and stock market spot positions, and a shock of 100 base points on the volatility surface of currencies used to price options.

Scenario 3: corresponds to a shock of 500 base points on the foreign currency coupon curves, plus a shock of 50% on the currency and stock market spot positions, and a shock of 500 base points on the volatility surface of currencies used to price options.

US dollar coupon: all products with price changes tied to changes in the US currency and the US dollar interest rate.

Other currencies coupon: all products with price changes tied to changes in any currency other than the US dollar and the US dollar interest rate.

Fixed rate - in Brazilian reais: all products with price changes tied to changes in interest rate in Brazilian reais.

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.

Others: any other product that does not fit in the classifications above.

8. Interbank Accounts

Composed of restricted deposits with the Central Bank of Brazil to meet compulsory obligations for demand deposits, savings deposits and time deposits, and payments and receipts pending settlement, represented by checks and other documents sent to clearinghouses (assets and liabilities).

9. Credit Portfolio and Allowance for Losses

a) Credit portfolio

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Lending operations	**49.942.593**	**39.377.758**	**116.147.234**	**39.339.900**
Loans and discounted receivables	27.621.039	19.206.584	68.860.313	19.168.726
Financing	16.985.164	15.294.808	34.727.149	15.294.808
Rural, agricultural and industrial financing	2.783.152	2.842.223	5.603.025	2.842.223
Real estate financing	2.546.525	1.996.278	6.950.034	1.996.278
Securities financing	-	23.145	-	23.145
Infrastructure and development financing	6.713	14.720	6.713	14.720
Leasing operations	**852.479**	**10.374**	**12.707.059**	**402.206**
Advances on foreign exchange contracts [1]	**2.112.808**	**1.773.786**	**3.314.908**	**1.773.786**
Other receivables [2]	**2.985.653**	**2.204.239**	**7.241.172**	**2.208.745**
Total	**55.893.533**	**43.366.157**	**139.410.373**	**43.724.637**
Current	**32.462.612**	**24.268.561**	**80.186.506**	**24.468.279**
Long-term	**23.430.921**	**19.097.596**	**59.223.867**	**19.256.358**

(1) Classified as a reduction of "Other payables".
(2) Include receivables for guarantees honored, debtors for purchase of assets, notes and credits receivable (basically credit cards and rural product notes - CPR), income receivable from advances on foreign exchange contracts, and receivables from export contracts.

b) Credit portfolio by maturity

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Overdue	3.143.875	2.024.618	6.160.485	2.026.850
Due to:				
Up to 3 moths	18.370.985	13.122.694	40.614.738	13.186.051
From 3 to 12 months	14.091.627	11.145.867	39.571.768	11.282.228
Over 12 months	20.287.046	17.072.978	53.063.382	17.229.508
Total	**55.893.533**	**43.366.157**	**139.410.373**	**43.724.637**

c) Lease portfolio at present value

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Lease receivables	457.071	11.138	7.607.700	363.378
Unearned income on lease	(455.251)	(764)	(7.401.603)	(349.761)
Unrealized residual values	1.166.187	-	10.750.809	244.951
Offsetting residual values	(1.166.187)	-	(10.750.809)	(244.951)
Leased property and equipment	1.242.973	-	20.316.178	754.047
Accumulated depreciation	(137.040)	-	(5.426.823)	(278.316)
Excess depreciation	152.184	-	4.612.474	12.666
Losses on unamortized lease	-	-	129.012	35.595
Advances for guaranteed residual value	(407.458)	-	(7.159.287)	(135.403)
Other Assets	-	-	29.408	-
Total	**852.479**	**10.374**	**12.707.059**	**402.206**

d) Credit portfolio by business sector

	Bank		Consolidated	
	2008	2007	2008	2007
Private sector	**55.700.692**	**43.188.312**	**139.065.835**	**43.555.357**
Industrial	16.389.987	10.843.805	32.980.048	10.949.547
Commercial	4.439.123	3.500.931	14.015.700	3.571.602
Financial institutions	68.220	86.409	422.784	86.409
Services and other	11.391.799	8.359.944	27.626.311	8.545.475
Individuals	20.628.411	17.555.000	58.417.967	17.560.101
Credit Cards	3.341.421	2.555.207	6.988.446	2.555.207
Mortgage Loans	2.096.891	1.692.174	4.467.550	1.692.174
Payroll Loans	2.727.497	2.493.864	6.829.554	2.493.864
Leasing e Auto Finance	5.709.665	5.596.661	23.055.990	5.600.423
Other	6.752.937	5.217.094	17.076.427	5.218.433
Rural	2.783.152	2.842.223	5.603.025	2.842.223
Public sector	**192.841**	**177.845**	**344.538**	**169.280**
Federal	104.574	104.250	115.006	104.250
State	71.218	47.763	215.416	47.763
Municipal	17.049	25.832	14.116	17.267
Total	**55.893.533**	**43.366.157**	**139.410.373**	**43.724.637**

e) Classification of credit portfolio by risk level and respective allowance for loan losses

Bank

				Balance			
	Minimum allowance			2008	2007	Allowance required	
Risk level	**required (%)**	**Current**	**Past due [1]**	**Total**	**Total**	**2008**	**2007**
AA	-	33.102.843	-	33.102.843	24.628.397	-	-
A	0,5%	16.588.652	-	16.588.652	13.507.121	82.943	67.536
B	1%	488.166	591.383	1.079.549	529.219	10.795	5.292
C	3%	774.032	805.337	1.579.369	910.323	47.381	27.310
D	10%	130.867	578.188	709.055	1.870.565	70.906	187.056
E	30%	58.430	291.402	349.832	265.287	104.950	79.586
F	50%	43.709	406.304	450.013	323.286	225.006	161.643
G	70%	4.415	252.625	257.040	209.868	179.928	146.908
H	100%	32.332	1.744.848	1.777.180	1.122.091	1.777.180	1.122.091
Total		**51.223.446**	**4.670.087**	**55.893.533**	**43.366.157**	**2.499.089**	**1.797.422**
Additional Provision [2]						137.395	-
Total Provision						**2.636.484**	**1.797.422**

Consolidated

				Balance			
	Minimum allowance			2008	2007	Allowance required	
Risk level	**required (%)**	**Current**	**Past due [1]**	**Total**	**Total**	**2008**	**2007**
AA	-	48.849.728	-	48.849.728	24.954.190	-	-
A	0,5%	60.352.538	-	60.352.538	13.543.167	301.763	67.716
B	1,0%	10.218.086	2.012.577	12.230.663	534.067	122.307	5.340
C	3,0%	4.795.549	2.953.166	7.748.715	914.764	232.461	27.443
D	10,0%	643.680	1.541.007	2.184.687	1.846.094	218.469	184.609
E	30,0%	496.342	1.101.740	1.598.082	266.366	479.425	79.910
F	50,0%	307.364	978.647	1.286.011	324.258	643.006	162.129
G	70,0%	49.347	682.490	731.837	210.017	512.286	147.012
H	100,0%	284.693	4.143.419	4.428.112	1.131.714	4.428.112	1.131.714
Total		**125.997.327**	**13.413.046**	**139.410.373**	**43.724.637**	**6.937.829**	**1.805.873**
Additional Provision [2]						**156.403**	**-**
Total Provision						**7.094.232**	**1.805.873**

(1) Includes current and past-due operations.
(2) The additional allowance is recognized based on Management's risk assessment, the expected realization of the loan portfolio, and the current regulatory requirements.

f) Changes in allowance for loan losses

	Bank		Consolidated	
	2008	2007	2008	2007
At the beginning of the period	**1.797.422**	**1.606.638**	**1.805.873**	**1.622.124**
Acquired Companies (Note 2)	-	-	3.974.010	-
Allowances recognized	2.802.974	2.090.188	4.370.740	2.084.475
Write-offs	(1.964.091)	(1.899.005)	(3.056.570)	(1.900.327)
Other changes	179	(399)	179	(399)
At the end of the period	**2.636.484**	**1.797.422**	**7.094.232**	**1.805.873**
Current	**222.717**	**235.594**	**1.427.401**	**238.905**
Long-term	**2.413.767**	**1.561.828**	**5.666.831**	**1.566.968**
Recoveries [1]	**195.539**	**382.273**	**413.480**	**494.578**

(1) Recoveries are recorded in Income from Lending and Leasing Operations and include a credit assignment without co-obligation, related to operations previously written off to loss, in the amount of R$48,894 - Bank and R$65.126 - Consolidated(2007 - R$100,320 Bank and Consolidated).

10. Foreign Exchange Portfolio

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Assets				
Rights to foreign exchange sold	15.129.148	5.088.677	21.984.578	5.088.677
Exchange purchased pending settlement	16.082.364	5.487.310	26.060.935	5.487.310
Advances in local currency	(456.511)	(73.296)	(626.222)	(73.296)
Income receivable from advances	67.264	39.511	118.362	39.511
Income receivable from import financing	-	-	3.148	-
Others	5.890	3.979	5.890	3.979
Total	**30.828.155**	**10.546.181**	**47.546.691**	**10.546.181**
Current	**14.744.632**	**8.401.776**	**31.365.346**	**8.401.776**
Long-term	**16.083.523**	**2.144.405**	**16.181.345**	**2.144.405**
Liabilities				
Exchange sold pending settlement	16.943.538	4.810.724	24.580.848	4.810.724
Foreign exchange purchased	13.822.928	5.907.613	21.671.391	5.907.613
Advances on foreign exchange contracts - Financial Institutions	(2.112.808)	(1.773.786)	(3.314.908)	(1.773.786)
Others	1.233	33.864	12.159	33.864
Total	**28.654.891**	**8.978.415**	**42.949.490**	**8.978.415**
Current	**13.066.728**	**6.828.883**	**27.263.121**	**6.828.883**
Long-term	**15.588.163**	**2.149.532**	**15.686.369**	**2.149.532**
Memorandum accounts				
Open import credits	545.228	463.529	640.296	463.529
Confirmed export credits	16.504	103.269	19.448	103.269

11. Trading Account

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Assets				
Transactions pending settlement	1.243.150	178.639	1.396.140	190.867
Debtors pending settlement	5.182	55.474	571.640	306.893
Stock exchanges - guarantee deposits	103.230	76.264	103.230	77.663
Other	83	83	83	7.128
Total	**1.351.645**	**310.460**	**2.071.093**	**582.551**
Current	**1.351.645**	**310.460**	**2.071.093**	**582.551**
Liabilities				
Transactions pending settlement	1.229.250	112.288	1.460.624	117.637
Creditors pending settlement	5.613	9.201	566.493	128.592
Creditors for loan of shares	40.585	97.303	40.585	97.303
Clearinghouse transactions	-	-	16.857	142.749
Commissions and brokerage fees payable	1.179	686	2.599	2.643
Gold borrowings	-	-	3.826	-
Non - delivered forwards	-	-	1.320	-
Total	**1.276.627**	**219.478**	**2.092.304**	**488.924**
Current	**1.276.502**	**177.881**	**2.092.179**	**447.327**
Long-term	**125**	**41.597**	**125**	**41.597**

12. Tax Credits

a) Nature and Origin of Recorded Tax Credits

				Bank
	12/31/2007	**Recognition**	**Realization**	**12/31/2008**
Allowance for loan losses	701.116	673.720	(292.191)	1.082.645
Reserve for civil contingencies	66.726	54.951	(27.895)	93.782
Reserve for tax contingencies	515.383	316.255	(328.637)	503.001
Reserve for labor contingencies	340.429	242.987	(116.455)	466.961
Amortized Goodwill	-	228.343	-	228.343
Reserve for maintenance of stockholders' equity integrity	367.049	64.773	(396.920)	34.902
Adjustment to fair value of trading securities and derivatives [1]	403.462	983.688	-	1.387.150
Accrual for pension plan	62.168	21.057	(14.932)	68.293
Adjustment to fair value of available-for-sale securities [1]	42.430	33.851	-	76.281
Deferred income from derivatives [1]	-	135.193	-	135.193
Other temporary provisions	639.713	640.254	(460.051)	819.916
Total tax credits on temporary differences	**3.138.476**	**3.395.072**	**(1.637.081)**	**4.896.467**
Tax loss carryforwards	441.360	82.396	(6.060)	517.696
Social contribution tax - Executive Act No. 2158/2001 [2]	686.372	133.597	(9.760)	810.209
Total tax credits	**4.266.208**	**3.611.065**	**(1.652.901)**	**6.224.372**
Unrecorded tax credits[3]	(635.190)	(511.319)	384.189	(762.320)
Subtotal - recorded tax credits	**3.631.018**	**3.099.746**	**(1.268.712)**	**5.462.052**
Current	**1.045.318**			**2.295.074**
Long-term	**2.585.700**			**3.166.978**

Bank

	12/31/2006	Recognition	Realization	12/31/2007
Allowance for loan losses	684.131	275.345	(258.360)	701.116
Reserve for civil contingencies	67.644	39.373	(40.291)	66.726
Reserve for tax contingencies	422.665	102.605	(9.887)	515.383
Reserve for labor contingencies	295.513	342.008	(297.092)	340.429
Reserve for maintenance of stockholders' equity integrity	667.456	-	(300.407)	367.049
Adjustment to fair value of trading securities and derivatives	136.893	266.569	-	403.462
Accrual for pension plan	887.141	22.047	(847.020)	62.168
Adjustment to fair value of available-for-sale securities	59.261	-	(16.831)	42.430
Other temporary provisions	273.641	440.349	(74.277)	639.713
Total tax credits on temporary differences	**3.494.345**	**1.488.296**	**(1.844.165)**	**3.138.476**
Tax loss carryforwards	247.438	193.922	-	441.360
Social contribution tax - Executive Act No. 2158/2001	703.478	-	(17.106)	686.372
Total tax credits	**4.445.261**	**1.682.218**	**(1.861.271)**	**4.266.208**
Unrecorded tax credits[3]	(954.310)	-	319.120	(635.190)
Subtotal - recorded tax credits	**3.490.951**	**1.682.218**	**(1.542.151)**	**3.631.018**

Consolidated

	12/31/2007	Acquisition/ Disposal [4]	Recognition	Realization	12/31/2008
Allowance for loan losses	713.226	2.541.028	1.137.584	(362.532)	4.029.306
Reserve for civil contingencies	70.163	315.006	74.758	(50.590)	409.337
Reserve for tax contingencies	588.831	485.791	379.316	(377.911)	1.076.027
Reserve for labor contingencies	353.172	333.326	317.413	(138.316)	865.595
Amortized Goodwill	-	351.599	228.343	(18.026)	561.916
Reserve for maintenance of stockholders' equity integrity	367.049	-	64.773	(396.920)	34.902
Adjustment to fair value of trading securities and derivatives [1]	403.919	700.000	1.231.313	(117)	2.335.115
Accrual for pension plan	62.168	59.465	21.725	(42.950)	100.408
Adjustment to fair value of available-for-sale securities [1]	42.433	123.031	105.328	(120.675)	150.117
Deferred income from derivatives [1]	18	-	189.973	(11)	189.980
Other temporary provisions	665.978	625.036	801.665	(636.437)	1.456.242
Total tax credits on temporary differences	**3.266.957**	**5.534.282**	**4.552.191**	**(2.144.485)**	**11.208.945**
Tax loss carryforwards	446.678	649.304	390.755	(16.545)	1.470.192
Social contribution tax - Executive Act No. 2158/2001[2]	701.580	95.072	133.597	(12.668)	917.581
Total tax credits	**4.415.215**	**6.278.658**	**5.076.543**	**(2.173.698)**	**13.596.718**
Unrecorded tax credits[3]	(658.814)	(707.187)	(648.386)	412.761	(1.601.626)
Subtotal - recorded tax credits	**3.756.401**	**5.571.471**	**4.428.157**	**(1.760.937)**	**11.995.092**
Current	**1.064.481**				**4.700.703**
Long-term	**2.691.920**				**7.294.389**

Consolidated

	12/31/2007	Recognition	Realization	12/31/2008
Allowance for loan losses	739.091	278.337	(304.202)	713.226
Reserve for civil contingencies	71.118	39.783	(40.738)	70.163
Reserve for tax contingencies	489.444	112.095	(12.708)	588.831
Reserve for labor contingencies	310.946	342.052	(299.826)	353.172
Reserve for maintenance of stockholders' equity integrity	667.456	-	(300.407)	367.049
Adjustment to fair value of trading securities and derivatives [1]	137.798	267.275	(1.154)	403.919
Accrual for pension plan	887.141	22.047	(847.020)	62.168
Adjustment to fair value of available-for-sale securities [1]	59.270	-	(16.837)	42.433
Deferred income from derivatives [1]	43	-	(25)	18
Other temporary provisions	294.142	449.611	(77.775)	665.978
Total tax credits on temporary differences	**3.656.449**	**1.511.200**	**(1.900.692)**	**3.266.957**
Tax loss carryforwards	255.179	202.925	(11.426)	446.678
Social contribution tax - Executive Act No. 2158/2001[2]	719.040	-	(17.460)	701.580
Total tax credits	**4.630.668**	**1.714.125**	**(1.929.578)**	**4.415.215**
Unrecorded tax credits[3]	(1.039.293)	(13.437)	393.916	(658.814)
Subtotal - recorded tax credits	**3.591.375**	**1.700.688**	**(1.535.662)**	**3.756.401**

IRPJ - Corporate income tax
CSLL - Social contribution tax
Pis and Cofins - Revenue taxes

(1) Includes Tax Credits IRPJ, CSLL, Pis and Cofins.
(2) Includes the amount of R$133,597 related to transfer from Other payables – tax and social security (note 24.c).
(3) Includes the unrecorded tax credit related to the increase in social contribution tax rate for financial institutions from 9% to 15%. The social contribution tax amount related to the tax rate increase is accrued in Other payables – tax and social security (note 20).
(4) Purchased companies/Disposal of equity interest (Notes 2 and 16).

b) Expected realization of recorded tax credits

							Bank
Year	Temporary differences IRPJ	Temporary differences CSLL	Temporary differences PIS/Cofins	Tax loss carryforwards	CSLL 18%	Total	Recorded
2009	1.211.215	703.516	83.264	293.583	140.744	2.432.322	2.295.074
2010	1.022.349	590.194	83.264	224.113	205.027	2.124.947	1.981.639
2011	448.382	246.993	-	-	260.305	955.680	709.484
2012	123.697	65.433	-	-	204.133	393.263	330.763
2013	154.865	83.971	-	-	-	238.836	134.817
2014 to 2016	9.428	328	-	-	-	9.756	-
2017 to 2018	23.342	10.454	-	-	-	33.796	10.275
2019 to 2021	9.428	328	-	-	-	9.756	-
2022 to 2023	6.285	219	-	-	-	6.504	-
After 2023	18.856	656	-	-	-	19.512	-
Total	**3.027.847**	**1.702.092**	**166.528**	**517.696**	**810.209**	**6.224.372**	**5.462.052**

							Consolidated
Year	Temporary differences IRPJ	Temporary differences CSLL	Temporary differences PIS/Cofins	Tax loss carryforwards	CSLL 18%	Total	Recorded
2009	2.703.619	1.597.735	193.024	334.024	149.227	4.977.629	4.700.703
2010	2.279.086	1.151.398	91.681	269.005	214.219	4.005.389	3.773.375
2011	1.330.635	763.464	(1.953)	58.483	272.967	2.423.596	1.772.840
2012	322.886	184.077	(3.741)	346.902	217.659	1.067.783	919.251
2013	284.666	146.346	(2.218)	439.902	9.503	878.199	673.312
2014 to 2016	72.951	13.071	28	21.876	34.801	142.727	118.745
2017 to 2018	31.275	15.143	-	-	19.205	65.623	36.866
2019 to 2021	9.428	328	-	-	-	9.756	-
2022 to 2023	6.285	219	-	-	-	6.504	-
After 2023	18.856	656	-	-	-	19.512	-
Total	**7.059.687**	**3.872.437**	**276.821**	**1.470.192**	**917.581**	**13.596.718**	**11.995.092**

Due to differences between accounting, tax and corporate criteria, expected realization of tax credits should not be taken as indicative of future net income.

c) Present value of deferred tax credits

The total present value of tax credits is R$5,333,237 (2007 - R$3,705,644) - Bank and R$11,393,420 (2007 - R$3,831,917) - Consolidated and the present value of recorded tax credits is R$4,749,607 (2007 - R$3,116,568) - Bank and R$10,187,374 (2007 - R$3,221,415) - Consolidated. The present value was calculated taking into account the expected realization of temporary differences, tax loss carryforwards, and social contribution tax at the rate of 18% (Executive Act No. 2.158/2001) and the average funding rate projected for the corresponding periods.

13. Other Receivables - Other

	Bank		Consolidated	
	2008	2007	2008	2007
Credit cards	2.128.134	1.535.054	5.017.288	1.535.054
Escrow deposits for:				
Tax claims	1.408.013	1.093.003	3.423.713	1.244.299
Labor claims	1.126.128	1.043.559	1.914.743	1.077.531
Other	351.421	266.115	615.779	274.418
Contract guarantees - former controlling stockholders (Note 22.h)	654.538	880.238	654.538	880.238
Recoverable taxes	275.630	90.383	824.148	201.330
Receivables	384.007	231.043	1.632.109	233.700
Rural product notes	132.027	156.820	132.027	156.820
Reimbursable payments	427.246	172.045	628.374	179.041
Receivable from affiliates	208.049	191.749	222.767	191.749
Salary advances/other	399.098	33.921	953.694	34.219
Debtors for purchase of assets	54.865	49.504	101.341	51.353
Receivables from export contracts	130.597	48.330	129.717	46.565
Other	351.943	15.570	1.547.291	18.199
Total	**8.031.696**	**5.807.334**	**17.797.529**	**6.124.516**
Current	**3.373.721**	**2.093.621**	**8.986.484**	**2.107.395**
Long-term	**4.657.975**	**3.713.713**	**8.811.045**	**4.017.121**

14. Other Assets

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Assets not in Use [1]	180.192	187.438	277.698	192.835
(Allowance for Valuation)	(148.192)	(155.438)	(178.178)	(160.835)
Materials in inventory	8.956	-	13.025	-
Total	**40.956**	**32.000**	**112.545**	**32.000**
Current	**40.956**	**32.000**	**112.545**	**32.000**

(1) Refer mainly to repossessed assets, consisting basically of properties and vehicles received as payment in kind

15. Foreign Branches

The financial position of the Foreign Branches (Grand Cayman and Tokyo), converted at the exchange rate prevailing at the balance sheet date and included in the individual

	Santander Branches [1]		Others [2]
	2008	**2007**	**2008**
Assets	**27.081.059**	**11.587.644**	**7.403.820**
Current and long-term assets	**27.041.296**	**11.587.462**	**7.403.089**
Cash	173.536	74.698	13.271
Interbank investments	5.540.108	1.468.764	622.367
Securities and derivatives	7.207.498	5.052.120	6.167.267
Lending operations	5.442.824	3.020.976	6.010
Leasing operations	-	10.374	-
Foreign exchange portfolio	8.381.249	1.750.746	205.165
Other assets	296.081	209.784	389.009
Permanent assets	**39.763**	**182**	**731**
Liabilities	**27.081.059**	**11.587.644**	**7.403.820**
Current and long-term liabilities	**26.083.471**	**11.435.389**	**2.376.005**
Money market funding	3.201.115	595.528	260.488
Funds from acceptance and issuance of securities	1.035.296	1.511.492	842.801
Borrowings and Onlendings	7.705.692	4.632.031	992.093
Subordinated debt	1.171.324	887.790	-
Foreign exchange portfolio	8.902.227	1.767.284	212.972
Other payables	4.067.817	2.041.264	67.651
Deferred Income	**166**	**128**	**2.864**
Stockholders' Equity [4]	**997.422**	**152.127**	**5.024.951**
Net Income (Losses)	**45.571**	**(44.712)**	**152.287**

(1) Grand Cayman e Tokyo.
(2) Banco Real Grand Cayman Branch and Banco Comercial de Investimento Sudameris S.A. Grand Cayman Branch.
(3) At Santander Grand Cayman Branch include Sale of right to receipt of future flow of payment orders from abroad (Note 23).
(4) On March 20, 2008, the capital of Santander Grand Cayman Branch was increased by US$300 million, as authorized by the Central Bank of Brazil.

16. Investments in Affiliates and Subsidiaries

					2008
		Number of shares (in thousands)			Participation %
Investments - Direct and Indirect Ownership	**Activity**	**Common shares and quotas**	**Preferred**	**Bank**	**Consolidated**
Controlled by Banco Santander S.A.					
Banco ABN AMRO Real S.A. [5]	Bank	3.158.765	-	100,00%	100,00%
ABN AMRO Brasil Dois Participações S.A. [5]	Holding	865.376	-	100,00%	100,00%
Santander Brasil Arrendamento Mercantil S.A.	Leasing	86.984	-	99,99%	99,99%
Santander S.A. Corretora de Câmbio e Títulos [1]	Broker	22.574.324	14.300.515	99,99%	100,00%
Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários [1]	Broker	9.201	4.400	99,99%	100,00%
Santander Asset Management Distribuidora de		-	-		
Títulos e Valores Mobiliários Ltda.	Asset manager	64.000	-	99,99%	100,00%
Santander Investimentos em Participações S.A. [1]	Holding	1.830.752	-	97,62%	100,00%
Santander Administradora de Consórcios Ltda.	Buying club	3.000	-	99,99%	100,00%
ABN AMRO Administradora de Cartões de Crédito Ltda. [5] [7]	Credit Card	805.730	-	98,46%	100,00%
Controlled by Banco ABN AMRO Real S.A.					
ABN AMRO Arrendamento Mercantil S.A. [5]	Leasing	19.274	-	-	99,99%
Companhia Real Distribuidora de Títulos e		-	-	-	
Valores Mobiliários [5]	Dealer	67	-	-	100,00%
Banco de Pernambuco S.A. - BANDEPE [5]	Bank	2.183.667.026	-	-	100,00%
Sudameris Distribuidora de Títulos e Valores Mobiliários S.A. [5]	Dealer	589.877.636	-	-	100,00%
Real Leasing S.A. Arrendamento Mercantil [5]	Leasing	10.028.964	-	-	99,99%
Banco Comercial e de Investimento Sudameris S.A. [5]	Bank	92.221.596	70.319.569	-	99,80%
Aymoré Crédito, Financiamento e Investimento S.A. [5]	Financial Companies	287.706.670	-	-	100,00%
Real Microcrédito S.A. [5]	Microcredit	43.129.918	-	-	100,00%
Webmotors S.A. [5]	Other Activities	348.253.362	17.929.313	-	100,00%
REB Empreendimentos e Administradora de Bens S.A. [2] [3]	Holding	437.530	-	-	100,00%

		2008			
		Number of shares (in thousands)			Participation %
	Activity	Common shares and quotas	Preferred	Bank	Consolidated
ABN AMRO Advisory Services S.A. [5]	Other Activities	5	-	-	100,00%
ABN AMRO Securities (Brasil)		-	-	-	
Corretora de Valores Mobiliários S.A. [5]	Broker	344.283	77.226	-	100,00%
Real Corretora de Seguros S.A. [5]	Broker	9	-	-	100,00%
Companhia de Arrendamento Mercantil Renault do Brasil [5]	Leasing	158	78	-	39,88%
Companhia de Crédito, Financiamento e Investimento Renault		-	-	-	
do Brasil [5]	Financial Companies	1	1	-	39,59%
ABN AMRO Real Corretora de Câmbio e		-	-	-	
Valores Mobiliários [5]	Broker	1.400.000	1.400.000	-	100,00%
ABN AMRO Administradora de Consórcio Ltda. [5]	Buying club	4.810	-	-	100,00%
Real Argentina S.A. [5]	Other Activities	449	-	-	98,99%
Controlled by ABN AMRO Brasil Dois Participações S.A.					
Credicenter Empreendimentos e Promoções Ltda. [5]	Other Activities	173.570	-	-	100,00%
Cruzeiro Factoring Sociedade de Fomento Comercial Ltda. [5]	Factoring	82.443	-	-	100,00%
ABN AMRO Brasil Participações e Investimentos S.A. [5]	Holding	16.501	-	-	99,99%
Real Capitalização S.A. [5]	Capitalization	5.118	-	-	100,00%
Real CHP S.A. [5]	Holding	546	-	-	92,78%
Fonet Brasil S.A. [5]	Other Activities	20	-	-	50,99%
Controlled by Santander Investimentos em Participações S.A.					
Santander S.A. Serviços Técnicos, Administrativos					
e de Corretagem de Seguros [1] [2]	Insurance Broker	50.425.310	-	-	99,99%
Agropecuária Tapirapé S.A. [1] [2]	Other Activities	199.729	384.697	-	99,07%
Jointly Controlled Companies					
Companhia Brasileira de Meios	Card				
de Pagamentos - Visanet [5]	Processor	1.364.784	-	-	14,87%
Celta Holding S.A. [5]	Holding	1	999	-	25,99%
Araguari Real Estate Holding LLC	Holding	86.328	-	50,00%	50,00%
Real Tókio Marine Vida e Previdência S.A. [5] [8]	Pension Plan	198.618	-	-	49,99%
Tecban - Tecnologia Bancária S.A. [5]	Other Activities	3.780.080	-	9,48%	20,68%
Companhia Brasileira de Soluções e Serviços - CBSS [5]	Ticker insurance	1.000	1.000	-	15,32%
Cibrasec - Companhia Brasileira de Securitização [5]	Securitization	66	-	4,55%	13,64%
Norchem Participações e Consultoria S.A. [1] [2]	Other Activities	1.900	-	-	50,00%
Estruturadora Brasileira de Projetos S.A. - EBP [4]	Other Activities	8.001	-	-	11,11%
Diamond Finance Promotora de Vendas [5]	Other Activities	5	5	-	25,50%
Affiliate					
Norchem Holding e Negócios S.A. [1] [2]	Other Activities	5.789	1.930	-	21,75%
Controlled by Banco Santander S.A.					
Banco ABN AMRO Real S.A. [5]		11.857.754	643.898	11.857.754	-
ABN AMRO Brasil Dois Participações S.A. [5]		338.715	50.723	338.715	-
Santander Brasil Arrendamento Mercantil S.A.		525.885	45.784	525.885	480.531
Santander S.A. Corretora de Câmbio e Títulos [1]		193.731	41.200	193.731	137.003
Santander Brasil S.A. Corretora de Câmbio e Títulos [1]		1.016	8.588	1.016	173.969
Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.		103.865	40.113	103.865	71.295
Santander Investimentos em Participações S.A. [1]		967.656	159.418	944.674	293.465
Santander Administradora de Consórcios Ltda.		3.637	166	3.637	3.602
ABN AMRO Administradora de Cartões de Crédito Ltda. [5] [7]		968.146	21.960	953.225	-
Other		-	-	-	89.266

	Adjusted Stockholders' Equity	Adjusted Net Income (Losses)	Investments	
	2008	2008	2008	2007
Controlled by Banco ABN AMRO Real S.A.				
ABN AMRO Arrendamento Mercantil S.A. [5]	587.277	32.219	-	-
Companhia Real Distribuidora de Títulos e Valores Mobiliários [5]	76.142	1.674	-	
Banco de Pernambuco S.A. - BANDEPE [5]	3.669.198	89.717	-	-
Sudameris Distribuidora de Títulos e Valores Mobiliários S.A. [5]	2.136.056	102.829	-	
Real Leasing S.A. Arrendamento Mercantil [5]	9.567.234	226.042	-	-
Banco Comercial e de Investimento Sudameris S.A. [5]	2.011.478	101.134	-	-
Aymoré Crédito, Financiamento e Investimento S.A. [5]	622.942	5.600	-	-
Real Microcrédito S.A. [5]	6.563	2.798	-	-
Webmotors S.A. [5]	38.831	5.009	-	-
REB Empreendimentos e Administradora de Bens S.A. [2] [3]	36.873	23.932	-	-
ABN AMRO Advisory Services S.A. [5]	1.710	109	-	-
ABN AMRO Securities (Brasil) Corretora de Valores Mobiliários S.A. [5]	62.852	1.230	-	-
Real Corretora de Seguros S.A. [5]	77.102	20.802	-	-
Companhia de Arrendamento Mercantil Renault do Brasil [5]	449.007	11.402	-	-
Companhia de Crédito, Financiamento e Investimento Renault do Brasil [5]	207.332	17.945	-	-
ABN AMRO Real Corretora de Câmbio e Valores Mobiliários S.A. [5]	47.132	1.698	-	
ABN AMRO Administradora de Consórcio Ltda. [5]	54.451	14.159	-	-
Real Argentina [5]	259	(46)	-	-
Controlled by ABN AMRO Brasil Dois Participações S.A.				
Real Capitalização S.A. [5]	90.374	22.893	-	-
Real CHP S.A. [5]	4.618	1.574	-	-
ABN AMRO Brasil Participações e Investimentos S.A. [5]	15.814	(523)	-	-
Credicenter Empreendimentos e Promoções Ltda. [5]	305.316	7.813	-	-
Cruzeiro Factoring Sociedade de Fomento Comercial Ltda. [5]	124.516	3.195	-	-
Fonet Brasil S.A. [5]	14.993	(1.053)	-	-
Controlled by Santander Investimentos em Participações S.A.				
Santander S.A. Serviços Técnicos, Administrativos e de Corretagem de Seguros [1] [2]	55.251	29.271	-	-
Agropecuária Tapirapé S.A. [1] [2]	6.442	427	-	-
Jointly Controlled Companies				
Companhia Brasileira de Meios de Pagamentos - Visanet [5]	702.046	343.290	-	-
Celta Holding S.A. [5]	236.417	30.178	-	-
Araguari Real Estate Holding LLC	230.960	-	115.480	-
Real Tókio Marine e Previdência S.A. [5] [8]	173.960	28.675	-	-
Tecban - Tecnologia Bancária S.A. [5]	154.905	6.465	14.690	-
Companhia Brasileira de Soluções e Serviços-CBSS [5]	132.905	25.401	-	-
Cibrasec - Companhia Brasileira de Securitização [5]	72.842	1.546	3.311	-
Norchem Participações e Consultoria S.A. [1] [2]	55.242	6.093	-	-
Estruturadora Brasileira de Projetos S.A. - EBP [4]	7.245	(755)	-	-
Diamond Finance Promotora de Vendas [5]	3.085	2.242	-	-
Affiliate				
Norchem Holding e Negócios S.A. [1] [2]	97.406	8.729	21.186	19.287
Total Investments - Bank			**15.055.983**	**1.268.418**
Total Investimento - Consolidated			**21.186**	**19.287**

	Results on Investments in Affiliates and Subsidiaries	
	2008	2007
Controlled by Banco Santander S.A.		
Banco ABN AMRO Real S.A. [5]	647.207	-
ABN AMRO Brasil Dois Participações S.A. [5]	50.723	-
Santander Brasil Arrendamento Mercantil S.A.	45.784	43.601
Santander S.A. Corretora de Câmbio e Títulos [1]	41.200	120.837
Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários [1]	8.588	124.876
Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	40.188	19.200
Santander Investimentos em Participações S.A. [1]	159.207	161.582
Santander Administradora de Consórcios Ltda.	166	110
ABN AMRO Administradora de Cartão de Crédito Ltda. [5] [7]	18.687	-
Others	5.533	40.951
Banco Santander S.A. Affiliate		
Norchem Holding e Negócios S.A. [1] [2]	420	2.950
Jointly Controlled Companies		
Tecban - Tecnologia Bancária S.A. [5]	10.957	-
Cibrasec - Companhia Brasileira de Securitização [5]	311	-
Results on Investments in Affiliates and Subsidiaries - Bank	**1.028.971**	**514.107**

	Results on Investments in Affiliates and Subsidiaries	
	2008	**2007**
Affiliate		
Norchem Holding e Negócios S.A. (1) (2)	1.479	-
Other	3.741	-
Results on Investments in Affiliates and Subsidiaries - Consolidated	**5.640**	**2.950**

(1) In April 2008, a corporate restructuring was implemented and involved the Bank and its subsidiaries and affiliates, Santander S.A. Corretora de Câmbio e Títulos (Santander Corretora), Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários (Santander CTVM), Santander Investimentos em Participações S.A. (Santander Participações) and the other non-financial companies. The objective of said restructuring was rationalizing the corporate structure by shifting the nonoperating activities of the Bank, Santander Corretora and Santander CTVM related to investments in shares and securities to a special purpose company, Santander Participações.

The corporate restructuring will bring administrative, economic and financial benefits resulting from the reduction of combined operating expenses. In implementing the corporate restructuring, the Bank made a capital increase in Santander Participações by contributing its equity interest in the non-financial companies of the conglomerate (Santander S.A. – Serviços Técnicos, Administrativos e da Corretagem de Seguros, Norchem Participações e Consultoria S.A., Norchem Holding e Negócios S.A. and Agropecuária Tapirape S.A.), as well as other investments in shares. Concurrently with the capital increase made by the Bank partial spin-offs of Santander Corretora and Santander CTVM were made, with the transfer of the net assets to Santander Participações. The spun off assets included investments in shares and cash. The operations related to the partial spin-off are in process of approval by the Central Bank of Brazil.

Upon the implementation of the corporate restructuring, the Bank increased the capital of Santander Participações through the contribution of its equity interest in the non-financial entities of the Group (Santander S.A. - Serviços Técnicos, Administrativos e de Corretagem de Seguros, Norchem Participações e Consultoria S.A., Norchem Holding e Negócios S.A. and Agropecuária Tapirapé S.A.), as well as other investments in shares. Concurrently to the capital increase made by the Bank, there were the partial spin-offs of Santander Corretora and Santander CTVM with the transfer of the net assets (investments in shares and cash) to Santander Participações.
In August 2008, the partial spin-off of Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários was approved, with the transfer of the spun-off portion to Santander S.A. Corretora de Câmbio e Títulos. The spin-off is awaiting the approval of Bacen.

(2) Bank's subsidiary/affiliate until March 2008.

(3) In March 2008, an equity interest in REB Empreendimentos e Administradora de Bens Ltda. was acquired through the subsidiaries Santander Participações and Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda., of 99.9998% and 0.0002%, respectively.
4) In April 2008, a 16.6666% interest in Estruturadora Brasileira de Projetos S.A. – EBP was acquired through the subsidiary Santander Investimentos em Participações S.A. , new stockholders were admitted into the entity, with a decrease of interest to 11.11%.
(5) Adjusted net income corresponds to the income for the period calculated as from August 29, 2008 after the approval at the stockholders' meeting that approved the merger of shares, as mentioned in note 2.
(6) It includes the results on investments in affiliates and subsidiaries of Produban Serviços de Informática S.A. On February 29, 2008, Banco Santander S.A. sold its interest in the company to Produban Servicios Informáticos Generales, S.L. headquartered in Spain.
(7) In November 2008, there was the partial spin-off of AADois Par with the partial transfer of its equity to ABN Amro Administradora de Cartões de Crédito Ltda., which became a subsidiary of Banco Santander.
(8) As provided for in the Stockholders' Agreement of Real Tokio Marine Vida e Previdência S.A. (RTMVP), due to the change in corporate control from Banco Real to Santander, AAB Dois Par exercised its right to acquire the remaining interest in RTMVP, which was transferred to Banco Santander on January 21, 2009. After the completion of the acquisition process, Santander will hold the entire capital of RTMVP.

17. Property and Equipment

	Bank			
			2008	2007
	Cost	**Depreciation**	**Net**	**Net**
Real estate	**341.985**	**(181.019)**	**160.966**	**131.874**
Buildings	238.291	(181.019)	57.272	50.170
Land	103.694	-	103.694	81.704
Other	**3.648.950**	**(1.285.595)**	**2.363.355**	**1.010.246**
Installations, furniture and equipment	627.013	(239.833)	387.180	214.561
Security and communication equipment	181.309	(97.891)	83.418	71.165
Data processing equipment	979.367	(660.855)	318.512	267.777
Leasehold improvements	508.431	(236.430)	272.001	336.989
Other(1)	1.352.830	(50.586)	1.302.244	119.754
Total	**3.990.935**	**(1.466.614)**	**2.524.321**	**1.142.120**

	Consolidated			
			2008	2007
	Cost	**Depreciation**	**Net**	**Net**
Real estate	**810.003**	**(391.752)**	**418.251**	**133.940**
Buildings	592.863	(391.752)	201.111	51.312
Land	217.140	-	217.140	82.628
Other	**5.741.067**	**(2.508.984)**	**3.232.083**	**1.010.278**
Installations, furniture and equipment	1.130.047	(473.770)	656.277	214.561
Security and communication equipment	300.435	(157.931)	142.504	71.198
Data processing equipment	1.585.790	(1.078.110)	507.680	267.777
Leasehold improvements	1.039.814	(579.485)	460.329	336.989
Other	1.684.981	(219.688)	1.465.293	119.753
Total	**6.551.070**	**(2.900.736)**	**3.650.334**	**1.144.218**

(1) In 2008, includes R$1,060,503 of buildings in progress related to the new head office.

18. Intangible

	Bank			
			2008	2007
	Cost	**Amortization**	**Net**	**Net**
Goodwill on Acquired Companies	26.333.931	(570.857)	25.763.074	-
Exclusivity contracts for provision of banking services	2.041.491	(626.075)	1.415.416	1.407.604
Goodwill from merger	501.263	(501.263)	-	-
Acquisition and development of software	970.655	(460.130)	510.525	383.631
Other	268	(6)	262	-
Total	**29.847.608**	**(2.158.331)**	**27.689.277**	**1.791.235**

	Consolidated			
			2008	2007
	Cost	**Amortization**	**Net**	**Net**
Goodwill on Acquired Companies	26.333.931	(570.857)	25.763.074	-
Exclusivity contracts for provision of banking services	2.458.832	(636.581)	1.822.251	1.407.604
Goodwill from merger	4.730.064	(4.727.637)	2.427	-
Acquisition and development of software	1.710.818	(966.728)	744.090	383.738
Other	219.970	(101.904)	118.066	-
Total	**35.453.615**	**(7.003.707)**	**28.449.908**	**1.791.342**

19. Money Market Funding and Borrowings and Onlendings

a) Deposits

					Bank	
					2008	2007
	Without maturity	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Demand deposits	5.022.049	-	-	-	5.022.049	6.257.913
Savings deposits	8.314.895	-	-	-	8.314.895	6.288.137
Interbank deposits	-	226.339	4.041.939	-	4.268.278	4.003.312
Time deposits	569.155	7.819.572	12.953.814	19.113.026	40.455.567	25.987.920
Other deposits	378.308	-	-	-	378.308	397.267
Total	**14.284.407**	**8.045.911**	**16.995.753**	**19.113.026**	**58.439.097**	**42.934.549**
Current					**39.326.071**	**31.960.657**
Long-term					**19.113.026**	**10.973.892**

					Consolidated	
					2008	2007
	Without maturity	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Demand deposits	14.729.644	-	-	-	14.729.644	6.251.442
Savings deposits	20.642.679	-	-	-	20.642.679	6.288.137
Interbank deposits	-	733.306	794.871	376.139	1.904.316	309.671
Time deposits	733.254	10.441.445	23.583.596	51.472.582	86.230.877	25.620.370
Other deposits	479.787	-	-	-	479.787	397.267
Total	**36.585.364**	**11.174.751**	**24.378.467**	**51.848.721**	**123.987.303**	**38.866.887**
Current					**72.138.582**	**28.461.371**
Long-term					**51.848.721**	**10.405.516**

b) Money market funding

				Bank	
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Own portfolio	627.266	1.443.848	2.065.829	4.136.943	3.787.165
Third parties	13.084.478	-	-	13.084.478	19.382.271
Linked to trading portfolio operations	394.173	740.832	-	1.135.005	-
Total	**14.105.917**	**2.184.680**	**2.065.829**	**18.356.426**	**23.169.436**
Current				**16.290.597**	**20.706.678**
Long-term				**2.065.829**	**2.462.758**

				Consolidated	
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Own portfolio	2.331.811	8.194.096	7.647.425	18.173.332	3.787.165
Third parties	11.666.815	-	-	11.666.815	19.327.675
Linked to trading portfolio operations	351.325	740.832	-	1.092.157	-
Total	**14.349.951**	**8.934.928**	**7.647.425**	**30.932.304**	**23.114.840**
Current				**23.284.879**	**20.652.082**
Long-term				**7.647.425**	**2.462.758**

c) Funds from acceptance and issuance of securities

				Bank	
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Real estate credit notes, mortgage notes, credit and similar notes	**2.277.184**	**1.323.970**	**48.645**	**3.649.799**	**672.498**
Agribusiness credit notes - LCA	982.958	409.686	48.645	1.441.289	244.855
Real estate credit notes - LCI	1.294.226	914.284	-	2.208.510	427.643
Securities issued abroad	**390.539**	**368.233**	**808.939**	**1.567.711**	**1.488.759**
Total	**2.667.723**	**1.692.203**	**857.584**	**5.217.510**	**2.161.257**
Current				**4.359.926**	**1.388.143**
Long-term				**857.584**	**773.114**

	Consolidated				
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Exchange acceptances	**3.164**	**22.934**	**122.350**	**148.448**	**-**
Real estate credit notes, mortgage notes, credit and similar notes	**3.281.571**	**3.553.397**	**50.416**	**6.885.384**	**672.498**
Agribusiness credit notes - LCA	1.279.561	688.161	48.645	2.016.367	244.855
Real estate credit notes - LCI	2.002.010	2.865.236	1.771	4.869.017	427.643
Securities issued abroad	**531.940**	**485.169**	**2.507.774**	**3.524.883**	**1.488.759**
Total	**3.816.675**	**4.061.500**	**2.680.540**	**10.558.715**	**2.161.257**
Current				**7.878.175**	**1.388.143**
Long-term				**2.680.540**	**773.114**

					Bank	
					2008	2007
Securities issued abroad	**Issuance**	**Maturity**	**Currency**	**Interest rate**	**Total**	**Total**
Eurobonds	November-05	November-13	R$	17,10%	340.256	-
Eurobonds (1)	November-05	May-09	R$	IPCA+6%	208.677	189.423
Eurobonds	March-05	March-13	R$	17,00%	169.223	-
Eurobonds (1)	April-06	August-10	R$	IPCA+6%	151.895	136.369
Eurobonds (1)	March-07	January-14	R$	10,00%	26.105	112.919
Eurobonds (1)	December-05	May-09	R$	IPCA+6%	88.825	80.699
Eurobonds (1)	January-06	May-09	R$	IPCA+6%	66.299	56.734
Eurobonds (1)	May-06	August-10	R$	IPCA+6%	60.555	47.460
Eurobonds (2)	June-07	May-17	R$	FIDC (3)	28.818	-
Eurobonds	July-05	July-08	US$	5,00%	-	101.120
Eurobonds	April-05	April-08	R$	17,65%	-	168.456
Structured Notes	December-07	January-08	R$	67,00% CDI	-	103.266
Structured Notes	October-08	January-09	R$	86,00% CDI	56.860	-
Structured Notes	October-08	January-09	R$	85,00% CDI	32.890	-
Structured Notes	October-08	January-09	R$	83,00% CDI	26.121	-
Structured Notes	October-08	February-09	R$	82,00% CDI	22.760	-
Structured Notes	November-08	February-09	R$	85,00% CDI	21.635	-
Others					266.792	492.313
Securities issued abroad					**1.567.711**	**1.488.759**

					Consolidated	
					2008	2007
Securities issued abroad	**Issuance**	**Maturity**	**Currency**	**Interest rate**	**Total**	**Total**
Eurobonds	February-05	February-10	R$	16,20%	842.802	-
Eurobonds	November-05	November-13	R$	17,10%	340.256	-
Eurobonds (1)	November-05	May-09	R$	IPCA+6%	208.677	189.423
Eurobonds	March-05	March-13	R$	17,00%	169.223	-
Fixed Rate Notes	November-07	January-15	R$	100,00% CDI	184.606	-
Fixed Rate Notes	October-07	January-15	R$	100,00% CDI	190.643	-
Eurobonds (1)	April-06	August-10	R$	IPCA+6%	151.895	136.369
Fixed Rate Notes	September-06	June-13	R$	100% CDI+0,35%	122.715	-
Fixed Rate Notes	August-07	June-12	US$	4,44%	93.664	-
Eurobonds (1)	March-07	January-14	R$	10,00%	26.105	112.919
Fixed Rate Notes	October-06	June-13	R$	100% CDI+0,27%	72.435	-
Fixed Rate Notes	August-99	August-14	US$	100% CDI+7,48%	70.954	-
Fixed Rate Notes	April-99	March-11	US$	4,38%	42.730	-
Fixed Rate Notes	August-07	August-12	US$	4,60%	39.904	-
Fixed Rate Notes	June-07	June-13	US$	4,44%	34.198	-
Fixed Rate Notes	April-08	March-13	US$	4,55%	28.271	-
Fixed Rate Notes	February-08	december-10	US$	4,44%	26.975	-
Fixed Rate Notes	April-08	March-13	US$	4,70%	23.626	-
Fixed Rate Notes	August-06	June-13	US$	4,44%	21.074	-
Eurobonds (1)	December-05	may-09	R$	IPCA+6%	88.825	80.699
Eurobonds (1)	January-06	may-09	R$	IPCA+6%	66.299	56.734
Eurobonds (1)	May-06	August-10	R$	IPCA+6%	60.555	47.460
Eurobonds (2)	June-07	May-17	R$	FIDC (3)	28.818	-
Eurobonds	July-05	July-08	US$	5,00%	-	101.120
Eurobonds	April-05	April-08	R$	17,65%	-	168.456
Structured Notes	December-07	January-08	R$	67,00% CDI	-	103.266
Structured Notes	October-08	January-09	R$	86,00% CDI	56.860	-
Structured Notes	October-08	January-09	R$	85,00% CDI	32.890	-
Structured Notes	October-08	January-09	R$	83,00% CDI	26.121	-
Structured Notes	October-08	February-09	R$	82,00% CDI	22.760	-
Structured Notes	November-08	February-09	R$	85,00% CDI	21.635	-
Others					429.367	492.313
Total					**3.524.883**	**1.488.759**

(1) Indexed Linked Sovereign Notes
(2) Indexed Linked Credit Event Notes
(3) Indexed to Receivables Investment Fund Income (FIDC)

d) Money market funding expenses

	Bank		Consolidated	
	2008	2007	2008	2007
Time deposits	4.268.924	2.552.063	6.649.063	2.529.640
Savings deposits	493.423	392.422	781.010	392.422
Interbank deposits	475.122	415.823	77.125	34.218
Money market funding	1.816.966	2.411.894	1.721.069	2.402.406
Others	2.564.349	787.254	3.449.420	787.256
Total	**9.618.784**	**6.559.456**	**12.677.687**	**6.145.942**

e) Borrowings and onlendings

				Bank	
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Local borrowings	**-**	**184.583**	**-**	**184.583**	**-**
Foreign borrowings	**5.986.583**	**3.696.197**	**1.566.449**	**11.249.229**	**7.282.536**
Import and export financing lines	5.028.049	2.992.785	1.225.014	9.245.848	6.232.645
Other credit lines	958.534	703.412	341.435	2.003.381	1.049.891
Domestic onlendings	**573.638**	**1.242.742**	**2.451.194**	**4.267.574**	**4.380.392**
Total	**6.560.221**	**5.123.522**	**4.017.643**	**15.701.386**	**11.662.928**
Current				**11.683.743**	**8.380.720**
Long-term				**4.017.643**	**3.282.208**

				Consolidated	
				2008	2007
	Up to 3 months	From 3 to 12 months	Over 12 months	Total	Total
Local borrowings	**-**	**352.314**	**232.181**	**584.495**	**-**
Foreign borrowings	**7.431.424**	**4.429.138**	**1.962.145**	**13.822.707**	**7.282.536**
Import and export financing lines	6.104.788	3.725.726	1.620.710	11.451.224	6.232.645
Other credit lines	1.326.636	703.412	341.435	2.371.483	1.049.891
Domestic onlendings	**873.005**	**2.110.862**	**4.856.375**	**7.840.242**	**4.380.392**
Foreign onlendings	**77.457**	**669.276**	**2.536.011**	**3.282.744**	**-**
Total	**8.381.886**	**7.561.590**	**9.586.712**	**25.530.188**	**11.662.928**
Current				**15.943.476**	**8.380.720**
Long-term				**9.586.712**	**3.282.208**

Export and import financing lines are funds raised from foreign banks, for use in commercial foreign exchange transactions, related to the discounting of export bills and export and import pre-financing, falling due through 2014 and subject to financial charges corresponding to exchange variation plus interest ranging from 1,71% to 9,43% p.a. in the Bank and from 0,95% to 9,43% p.a. in the Consolidated (2007 - from 0,25% to 7,40% p.a. in the Bank and Consolidated).

Domestic onlendings - official institutions are subject to financial charges corresponding to the Long-Term Interest Rate (TJLP), exchange variation of the BNDES basket of currencies, or US dollar exchange variation, plus interest rate in accordance with the operating policies of the BNDES System.

In Consolidated, foreign onlendings are subject to interest ranging from 0.95% p.a. to 5.55% p.a. and exchange rate change, and mature from April 1, 2009 to July 11, 2014.

20. Tax and Social Security

Tax and social security payables comprise taxes payable and amounts being challenged in the courts.

	Bank		Consolidated	
	2008	2007	2008	2007
Reserve for tax contingencies (Note 24)	1.460.410	2.076.861	5.521.211	2.395.446
Reserve for tax contingencies - responsibility of former controlling stockholders (Note 24.h)	459.291	609.613	459.291	609.613
Provision for deferred taxes	1.542.886	716.125	2.732.855	741.839
Accrued taxes on income	2.215	5.837	388.418	12.147
Taxes payable	126.855	151.090	462.849	179.579
Total	**3.591.657**	**3.559.526**	**9.564.624**	**3.938.624**
Current	**184.085**	**156.927**	**1.414.571**	**191.726**
Long-term	**3.407.572**	**3.402.599**	**8.150.053**	**3.746.898**

Nature and origin of deferred tax liabilities

				Bank
	12/31/2007	Recognition	Realization	12/31/2008
Adjustment to fair value of trading securities and derivatives	434.665	752.651	-	1.187.316
Adjustment to fair value of available-for-sale securities	248.582	1.994	(89.771)	160.805
PIS/COFINS - Adjustment to fair value of securities	-	156.719	-	156.719
Deferred income from derivatives [1]	32.086	-	(32.086)	-
Excess depreciation of leased assets	-	38.046	-	38.046
Others	792	-	(792)	-
Total	**716.125**	**949.410**	**(122.649)**	**1.542.886**

Bank

	12/31/2006	Recognition	Realization	12/31/2007
Adjustment to fair value of trading securities and derivatives	223.354	211.311	-	434.665
Adjustment to fair value of available-for-sale securities	141.556	107.792	(766)	248.582
Deferred income from derivatives [1]	82.929	-	(50.843)	32.086
Other	-	792	-	792
Total	**447.839**	**319.895**	**(51.609)**	**716.125**

Consolidated

	12/31/2007	Acquisition/ Disposal [2]	Recognition	Realization	12/31/2008
Adjustment to fair value of trading securities and derivatives	435.767	-	754.409	(664)	1.189.512
Adjustment to fair value of available-for-sale securities	248.583	1.111	42.521	(89.888)	202.327
PIS/COFINS - Adjustment to fair value of securities	-	8.603	156.787	(3.390)	162.000
Deferred income from derivatives [1]	32.086	95.141	-	(126.885)	342
Excess depreciation of leased assets	3.169	785.075	392.091	(4.045)	1.176.290
Others	22.234	2.937	655	(23.442)	2.384
Total	**741.839**	**892.867**	**1.346.463**	**(248.314)**	**2.732.855**

Consolidated

	12/31/2006	Recognition	Realization	12/31/2007
Adjustment to fair value of trading securities and derivatives	223.394	212.373	-	435.767
Adjustment to fair value of available-for-sale securities	144.581	107.792	(3.790)	248.583
PIS/COFINS - Adjustment to fair value of securities	82.929	-	(50.843)	32.086
Deferred income from derivatives [1]	5.169	-	(2.000)	3.169
Others	-	22.234	-	22.234
Total	**456.073**	**342.399**	**(56.633)**	**741.839**

(1) Income from derivatives to be taxed on a cash basis, according to Law No. 11,051/2004, regulated by Federal Revenue Service (SRF) Regulatory Instruction No. 575/2005.

(2) Purchased companies/Disposal of equity interest (Notes 2 and 16).

21. Subordinated Debts

Consist of securities issued according to the rules of the Central Bank of Brazil, which are used as Level II Reference Equity for calculating the operating limits.

Bank

					2008	2007
	Issuance	**Maturity**	**Amount**	**Interest rate**	**Total**	**Total**
Perpetual Bonds [1]	September-05	Indeterminate	US$ 500 million	8.70%	1.171.324	887.790
Subordinated Certificates of Deposit [2]	June-06	July-16	R$1.500 million	105.00% CDI	2.050.292	1.813.986
Subordinated Certificates of Deposit [2]	October-06	September-16	R$ 850 million	104.50% CDI	1.111.313	983.802
Subordinated Certificates of Deposit [2]	June-06 to October-06	July-16	R$447 million	104.50% CDI	603.266	534.047
Subordinated Certificates of Deposit [2]	May-08 to June-08	May-13 to May-18	R$283 million	CDI [4]	305.087	-
Subordinated Certificates of Deposit [2]	May-08 to June-08	May-13 to May-18	R$268 million	IPCA[5]	288.447	-
Total					**5.529.729**	**4.219.625**
Current					**2.824**	**2.140**
Long-term					**5.526.905**	**4.217.485**

Consolidated

					2008	2007
	Issuance	**Maturity**	**Amount**	**Interest rate**	**Total**	**Total**
Perpetual Bonds [1]	September-05	Indeterminado	US$500 milhões	8,70%	1.171.324	887.790
Floating Rate Notes	November-99	November-09	US$170 milhões	Libor + 4,50%	80.400	-
Floating Rate Notes	November-99	November-09	US$30 milhões	Libor + 4,50%	14.167	-
Subordinated Certificates of Deposit [2]	June-06	July-16	R$1.500 milhões	105,00% CDI	2.050.292	1.813.986
Subordinated Certificates of Deposit [2]	April-08	April-13	R$555 milhões	100,00% CDI + 1,00%	612.183	-
Subordinated Certificates of Deposit [2]	July-07	July-14	R$885 milhões	104,50% CDI	1.046.778	-
Subordinated Certificates of Deposit [2]	April-08	April-13	R$600 milhões	100,00% CDI + 1,25%	659.220	-
Subordinated Certificates of Deposit [2]	November-08	November-14	R$100 milhões	120,50% CDI	102.184	-
Subordinated Certificates of Deposit [2]	October-06	September-16	R$850 milhões	104,50% CDI	1.111.313	983.802
Subordinated Certificates of Deposit [2]	July-06 to October-06	July-16	R$447 milhões	104,50% CDI	603.266	534.047
Subordinated Certificates of Deposit [2]	January-07	January-13	R$300 milhões	104,00% CDI	378.974	-
Subordinated Certificates of Deposit [2]	August-07	August-13	R$300 milhões	100,00% CDI + 0,43%	353.546	-
Subordinated Certificates of Deposit [2]	January-07	January-14	R$250 milhões	104,50% CDI	316.086	-
Subordinated Certificates of Deposit [2]	May-08 to June-08	May-13 to May-18	R$283 milhões	CDI [3]	305.087	-
Subordinated Certificates of Deposit [2]	May-08 to June-08	May-13 to May-18	R$268 milhões	IPCA [4]	288.447	-
Subordinated Certificates of Deposit [2]	February-08	February-13	R$85 milhões	IPCA + 7,88%	95.175	-
Total					**9.188.442**	**4.219.625**
Current					**97.391**	**2.140**
Long-term					**9.091.051**	**4.217.485**

(1) Perpetual bonds issued by the Grand Cayman branch with quarterly interest payments. These bonds do not have a maturity date or mandatory redemption, although they may, at the discretion of Banco Santander S.A. and with prior authorization by the Central Bank of Brazil, be redeemed in full in December 2010 or on any subsequent interest payment date.
(2) Subordinated certificates of deposit issued by Banco Santander S.A. with yield paid at the end of the term together with the principal.
(3) Indexed to 109% and 112% of the CDI or CDI plus interest of 1.16% p.a. to 1.53% p.a.
(4) Indexed to the IPCA (extended consumer price index) plus interest of 8.28% p.a. to 8.65% p.a.

22. Insurance, Pension plan and Capitalization Operations

The tables below show the positions of the technical reserves and the results of insurance, pension plan and capitalization operations of the companies Real Tókio Marine Vida and Previdência S.A. and Real Capitalização S.A.

a) Technical reserves for insurance, pension plan and capitalization operations

	Consolidated
	2008
	108.126
Insurance	68.067
Unearned premium	5.259
IBNR	9.455
Claims payable	25.345
Other	**3.002.641**
Pension Plan	2.859.604
Unvested benefits	106.892
Vested benefits	1.101
Financial surplus	1.528
IBNR	314
Risk fluctuation	1.287
Unexpired risks	31.915
Other	**719.293**
Capitalization	70.479
Reserve for redemptions	621.701
Mathematical reserve	27.035
Drawings	78
Other	**3.830.060**
Total	**3.830.060**
Current	

b) Income from insurance, pension plan and capitalization operations

	Consolidated
	2008
Insurance	**21.217**
Premium income	32.207
Change in technical reserve	(3.564)
Claims expenses	(7.426)
Pension Plan	**21.458**
Income from contributions	465.496
Redemption expenses	(139.988)
Change in technical reserve	(298.212)
Benefit expenses	(5.838)
Capitalization	**29.898**
Net income from capitalization certificates	218.550
Change in technical reserve	(7.830)
Redemption and drawing expenses	(180.822)
Trading	**(18.798)**
Insurance trading	(11.204)
Pension Plan trading	(7.594)
Total	**53.775**

23. Other Payables - Other

	Bank		Consolidated	
	2008	2007	2008	2007
Credit cards	2.150.460	1.565.455	4.898.337	1.565.455
Reserve for labor and civil contingencies (Note 24)	1.615.569	1.369.727	3.408.907	1.417.314
Reserve for contingencies - Responsibility of former controlling stockholders (Note 24.h)	195.247	270.625	195.247	270.625
Sale of right to receipt of future flow of payment orders from abroad (1)	1.816.289	644.160	1.816.289	644.160
Payables for acquisition of assets and rights (2)	1.097.670	461.796	1.250.565	461.796
Pension plan (Note 37)	526.833	495.170	526.833	495.170
Accrued liabilities				
Personnel expenses	478.772	449.391	819.109	461.583
Administrative expenses	393.687	280.057	693.564	282.096
Other payments	49.600	155.936	256.592	158.748
Payables to suppliers	102.319	209.431	104.128	210.238
Creditors for unreleased funds	55.612	90.940	200.037	90.940
Agreements with official institutions	211.891	70.509	532.744	70.509
Provision of payment services	7.143	5.897	140.208	5.897
Other	766.642	450.097	1.542.035	461.340
Total	**9.467.734**	**6.519.191**	**16.384.595**	**6.595.871**
Current	**4.463.015**	**4.470.103**	**10.824.526**	**4.462.093**
Long-term	**5.004.719**	**2.049.088**	**5.560.069**	**2.133.778**

(1) Payable for sale of right to receipt of future flow of payment orders receivable from foreign correspondent banks. It includes the series 2004-1 in the amount of US$277 million (2007- US$360 million), with charges equivalent to 5.5% p.a., payable semiannually until September 2011, the series 2008-1 in the amount of US$190 million, with charges equivalent to 6.2% p.a., payable semiannually, with the principal payable in 10 installments between September 2010 to September 2015 and the series 2008-2 in the amount of US$300 million, with charges equivalent to Libor (6 months) + 0.80 p.a., payable semiannually, with the principal payable in 10 installments between March 2010 to September 2014.
(2) Refers basically to export note loan operations in the amount of R$1,054,940 (2007 - R$419,540).

24. Contingent Assets and Liabilities and Legal Obligations - Tax and Social Security

Banco Santander S.A. and its subsidiaries are parties to judicial and administrative proceedings involving tax, civil and labor matters arising in the normal course of their business.

Reserves were recognized based on the nature, complexity and history of the lawsuits, and the opinion of the in-house and outside legal counsel. Santander's policy is to accrue the full amount of lawsuits whose likelihood of unfavorable outcome is probable.

Legal obligations - tax and social security were fully recognized in the financial statements, except for the cases which, in Management's opinion, based on experts' evaluation and the status of the lawsuit, will not produce effects on the balance sheet for Santander entities.

Management understands that the recognized reserves are sufficient to cover possible losses on the lawsuits.

a) Contingent assets

In 2008 no contingent assets were accounted for.

b) Contingent liabilities and legal obligations by nature

	Bank		Consolidated	
	2008	2007	2008	2007
Reserve for tax contingencies (1) (Note 20)	**1.460.410**	**2.076.861**	**5.521.211**	**2.395.446**
Reserve for labor and civil contingencies (Note 23)	**1.615.569**	**1.369.727**	**3.408.907**	**1.417.314**
Reserve for labor contingencies	1.217.540	1.036.653	2.220.082	1.074.131
Reserve for civil contingencies	398.029	333.074	1.188.825	343.183
Total	**3.075.979**	**3.446.588**	**8.930.118**	**3.812.760**

(1) Includes, mainly, legal obligations.

c) Changes in contingent liabilities and legal obligations

	Bank					
			2008			2007
	Tax	Labor	Civil	Tax	Labor	Civil
Initial Balance	**2.076.861**	**1.036.653**	**333.074**	**1.798.275**	**906.595**	**335.774**
Recognition [1]	548.160	781.798	214.313	322.454	818.936	113.903
Provision reversal	-	-	-	(14.979)	-	-
Write-offs due to payment[2]	(1.299.000)	(600.911)	(149.358)	(28.889)	(688.878)	(116.603)
Other[2]	134.389	-	-	-	-	-
Final Balance	**1.460.410**	**1.217.540**	**398.029**	**2.076.861**	**1.036.653**	**333.074**
Escrow deposits - other receivables [3]	595.864	383.349	57.866	572.260	213.421	31.374
Escrow deposits - securities[3]	14.989	76.635	5.795	14.168	17.838	6.207

	Consolidated					
			2008			2007
	Tax	Labor	Civil	Tax	Labor	Civil
Initial Balance	**2.395.446**	**1.074.131**	**343.183**	**2.086.111**	**951.988**	**345.993**
Recognition [1]	863.527	1.023.187	310.885	360.260	833.363	118.542
Provision reversal	(99.574)	(29.405)	(19.705)	(20.557)	(415)	(1.101)
Purchased companies/Disposal		-				
of equity interest (Notes 2 and 16)	3.508.138	836.279	744.936	-	-	-
Sale [2]	(1.302.059)	(684.110)	(190.474)	(30.368)	(710.805)	(120.251)
Write-offs due to payment[2]	155.733	-	-	-	-	-
Final Balance	**5.521.211**	**2.220.082**	**1.188.825**	**2.395.446**	**1.074.131**	**343.183**
Escrow deposits - other receivables [3]	1.603.755	1.007.198	217.658	681.413	221.563	32.884
Escrow deposits - securities[3]	34.016	76.808	142.755	26.553	17.869	6.281

(1) Includes the accrual for tax contingencies and legal obligations for the period, recorded under "Tax Expenses".

(2) In September 2008, after having received unfavorable decisions from the Federal Regional Court on appeals filed, the Bank paid the amount of R$1,298,505 related to the lawsuit that challenged the increase in social

(3) Do not include escrow deposits for possible and/or remote contingencies and appeal deposits.

d) Legal obligations - tax and social security

Refer to judicial and administrative proceedings involving tax and social security obligations, as described below:

PIS and Cofins - R$670,371 in the Bank and R$2,210,489 in the Consolidated (2007- R$208,249 in the Bank and R$210, 883 in the Consolidated): lawsuit filed by several

Deductibility of CSLL from IRPJ (corporate income tax) - R$387.897 in the Bank and R$549,739 in the Consolidated (2007- R$33,938 in the Bank and R$392,786 in the

CSLL - equal tax treatment - R$502,948 Consolidated: lawsuit filed by several companies of the group challenging the application of an increased CSLL rate (18%) for financial institutions as compared to the rate for non-financial companies (8%).

Increase in CSLL tax rate - R$136,853 Consolidated: in September 2008, the Bank and the other entities 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 11727/2008. Financial institutions were subject to a CSLL tax rate of 9%, however the new legislation established a 15% tax rate.

IRPJ – Recognition in the same period - R$381,044 Consolidated: lawsuit claiming that, for IRPJ calculation purposes, depreciation expenses be recognized in the same period as revenues from lease payments are recognized.

e) Tax and social security contingencies

Refer to judicial and administrative proceedings related to taxes and social security classified, based on the legal counsel's opinion, as probable loss, for which reserves were

ISS (service tax) - Financial Institutions - refers to administrative and judicial proceedings with several municipalities that require the payment of ISS on several revenues from operations that usually do not qualify as service provision. The updated amount involved is R$75,820 n the Bank and R$279,554 in the Consolidated (2007 - R$62,875 in the Bank and R$87,994 in the Consolidated).

INSS (social security contribution) - refers to administrative and judicial proceedings seeking collection of social security contribution and salary premium for education on amounts that normally are not of a salary nature. The updated amount involved is R$72,472 in the Bank and R$159,752 in the Consolidated (2007 - R$93,042 in the Bank and R$120,498 in the Consolidated).

Allowance for doubtful accounts - R$205,714 Consolidated: collection of IRPJ and CSLL levied on the allowance for doubtful accounts, arising from the deduction, considered undue by tax authorities, in calendar 1995, alleging that the tax criteria in effect at the time were not complied with.

Allowance for loan losses- R$90,466 Consolidated: intended to annul the assessment notices issued by the Federal Revenue Service alleging that the companies incorrectly deducted from the IRPJ and CSLL bases losses on lending operations, as these deductions did not meet the terms and conditions set forth by prevailing legislation.

f) Labor contingencies

These are lawsuits brought by labor unions and former employees claiming labor rights they understand are due, especially payment for overtime and other labor rights, including retirement benefit lawsuits.

For labor claims considered to be similar and usual, the reserve is recorded based on the history of payments made. Other labor claims are controlled individually and the reserves are recognized based on previous court decisions and the stage of each lawsuit.

g) Civil contingencies

Refer to lawsuits for indemnity and review of lending agreements.

Lawsuits for indemnity seek indemnity for property damage and/or pain and suffering, relating to the consumer relationship, principally with undue protest, return of checks, inclusion of debtors' information into the credit restriction master file, elimination of inflation effects in escrow deposit accounts and other matters.

Lawsuits for review refer to challenges of lending agreement clauses by customers.

There are also lawsuits filed by minority stockholders of the former Banco Noroeste against corporate acts in 1998 and 1999. Although there are unfavorable decisions from the lower court, experts believe that the Bank has good chances to overturn such decisions through the appeals filed with the São Paulo State Court of Justice.

For civil lawsuits considered to be similar and usual, the reserve is recorded based on the history of payments made, based on the legal counsel's evaluation of success and classification. Other lawsuits are controlled individually and the reserves are recognized based on the status of each lawsuits, law and previous court decisions.

h) Other lawsuits under the responsibility of former controlling stockholders

Refer to tax, labor and civil lawsuits in the amounts of R$459,291, R$137,861 and R$57,386 (2007 - R$609,613, R$177,791 and R$92,834), respectively, recorded under "Other payables - tax and social security" (Note 20) and "Other payables - other" (Note 23) which are the responsibility of the former controlling stockholders of the acquired entities. The lawsuits have guarantees under the agreements signed at the time of the acquisitions in the amount of R$654538 (2007 - R$880.238), recorded under "Other receivables - other" (Note 13). These lawsuits have no effects on the balance sheet for the Bank and Consolidated.

i) Contingent liabilities classified as possible loss risk

Refer to judicial and administrative proceedings involving tax, civil and labor matters assessed by the legal counsel as possible loss, 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) and another Infraction Notice against the former Banco Santander Brasil S.A., both in the amount of R$290 million. The notices refer to the collection of a CPMF tax credit on transactions conducted by Santander DTVM in the management of its customers' funds and clearance services provided by the Bank to Santander DTVM, according to the agreement between these two companies, in 2000, 2001 and the first two months of 2002. Both companies consider that the tax treatment adopted was adequate since said transactions were subject to CPMF at zero rate. The Board of Tax Appeals judged the administrative proceedings, annulling the infraction notice of Santander DTVM and confirming the infraction notice of the Bank. In both cases, an administrative appeal can be filed with the Higher Board of Tax Appeals (CSRF). The updated amount of each proceeding is approximately R$ 530 million.

IRPJ and CSLL on Reimbursement arising from Contractual Guarantees – in December 2007, the Federal Revenue Service issued an Infraction Notice in the amount of R$320 million against Banco Santander S.A. The notice refers to the collection of IRPJ and CSLL for tax year 2002 on amounts reimbursed by the former controlling stockholder of Banco Santander S.A. for payments made by the Bank that were the responsibility of the controlling stockholder. The Federal Revenue Service understood that the amount deposited in favor of Santander S.A. is not a reimbursement but a taxable income. The Bank has filed an administrative defense and the decision was unfavorable. The updated amount of each proceeding is approximately R$350 million.

Addition to the Price on the Purchase of Shares of Banco do Estado de São Paulo S.A. - Banespa - the former Banco Santander S.A. (former controlling stockholder of 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. The updated amount involved is approximately R$299 million. 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.

Deductibility of Expenses on Allowance for Doubtful Receivables - Administrative collection by the Federal Revenue Service in view of the deduction from the IRPJ and CSLL basis of losses on lending operations performed in 1998 and 2000. The Bank is awaiting judgment and understands that the collection is undue since the expenses met the deductibility conditions of Law 9430/1996 as they referred to definitive losses. The updated amount involved is approximately R$211 million - Bank and Consolidated.

CSLL - Unconstitutionality - Noncompliance with the amnesty established by Law 9779/1999 - claims that entities that joined the amnesty failed to comply with the requirements of such Law, alleging that such entities were not supported by an injunction for all periods paid (1989 to 1999). The judicial and administrative proceedings are awaiting judgment. The updated amount involved is approximately R$159 million, Consolidated.

CSLL - equal tax treatment - Lawsuit regarding the difference in 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. There is a lawsuit awaiting judgment and other appeals pending decisions. The adjusted amount involved is approximately R$152 million, Consolidated.

CSLL – final and unappealable decision - seeks ensuring the right not to recognize the tax credit formalized by the Federal Revenue Service, regarding alleged irregularities in the payment of CSLL, as the Entity obtained a final and unappealable decision canceling the payment of CSLL under Laws 7689/1988 and 7787/1989. The appeals filed with the Regional Federal Court are awaiting decision. The updated amount involved is approximately R$150 million, Consolidated.

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 on June 25, 2008; to date the decision has not been published. The involved amount is not disclosed due to the current stage of the lawsuit and the possibility of affecting its

25. Stockholders' Equity

a) Capital

Authorized capital is represented by 325,758,283 thousand registered shares without par value, being 174,292,416 thousands of ordinary shares and 151,465,867 thousands of preferred shares. The fully paid-up capital is composed as presented below:

Shares in thousands

	2008			2007		
	Common	**Preferred**	**Total**	**Common**	**Preferred**	**Total**
Brazilian residents	2.734.410	3.993.767	6.728.177	498.688	2.048.621	2.547.309
Foreign residents	171.558.006	147.472.100	319.030.106	70.537.235	59.683.935	130.221.170
Total	**174.292.416**	**151.465.867**	**325.758.283**	**71.035.923**	**61.732.556**	**132.768.479**

The Extraordinary Stockholders' Meeting held on August 29, 2008 approved the increase in Banco Santander's total capital from R$38,920,753, of which R$38,020,753 were allocated to Capital and R$900,000 to Capital Reserves, through the issuance of 189,300,327,000 shares, of which 101,282,490,000 are common shares and 88,017,837,000 are preferred shared, without par value, related to the merger of shares of Banco Real and AAB Dois Par, as mentioned in note 2.

At the meeting held on June 4, 2008, the Board of Directors approved a capital increase of 3,689,477 thousand shares (1,974,003 thousand common shares and 1,715,474 thousand preferred shares), in the amount of R$800,000, ratified by the Extraordinary Stockholders' Meeting on July 25, 2008.

At the meeting held on April 25, 2007, the Board of Directors approved a capital increase of 9,612,358 thousand shares (5,142,958 thousand common shares and 4,469,400 thousand preferred shares), in the amount of R$1,500,000, which was approved at the Extraordinary Stockholders' Meeting on June 25, 2007.

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 Bank.

In December 2008, the meeting of the Executive Board and Board of Directors approved the following payments:

Dividends, based on net income for the first half, in the amount of R$752,807 (R$2.2084 - common shares and R$2.4293 - preferred shares, in reais per thousand shares), based on net income for the nine-month period ended September 30, 2008, in the amount of R$217,193 (R$0.6372 - common shares and R$0.7009 preferred shares, in reais per thousand shares), attributed to mandatory minimum dividends for 2008.

Interest on capital, calculated for 2008, in the amount of R$480,000 (R$1.4081 - common shares and R$1.5489 - preferred shares, in reais per thousand shares, and R$1.1969 - common shares and R$1.3166 - preferred shares, net of income tax, in reais per thousand shares), attributed to mandatory minimum dividends for 2008 and that generated a tax benefit of R$192,000.

Dividends, based on the dividend equalization reserve, in the amount of R$3,045 (R$0.0089 - common shares and R$0.0098 - preferred shares, in reais per thousand shares).

In December 2007 it was approved the following destinations:

Dividend based on the income reported in the balance sheet as of June 30, 2007, in the amount of R$647,050 (R$4.6570 - common shares and R$5.1227 - preferred shares, in reais per thousand shares) and on income for the 3rd quarter of 2007, in the amount of R$327,628 (common shares R$2.3580 - preferred shares R$2.5938, in reais per thousand shares). The dividends will be attributable to mandatory minimum dividends for fiscal 2007.

Dividends based on the income reported in the balance sheet for this specific purpose as of October 31, 2007, in the amount of R$240,728 (R$1.7326 - common shares and R$1.9058 - preferred shares, in reais per thousand shares). The dividends will be attributable to mandatory minimum dividends for fiscal 2007.

Payment of interest on capital, based on the income for the 2nd half of 2007, in the amount of R$264,600 (R$1.9044 - common shares and R$2.0948 - preferred shares, in reais per thousand shares and R$1.6187 - common shares and R$1.7806 - preferred shares, net of income tax, in reais per thousand shares), which will be included in the calculation of mandatory minimum dividends for 2007 and generated a tax benefit of R$89,964.

In June 2007 it was approved the following destinations:

Dividends, based on the reserve for dividend equalization in the amount of R$521,762 (R$3.7553 - common shares and R$4.1308 - preferred shares, in reais per thousand shares).

Payment of interest on capital, calculated in the first half of 2007, in the amount of R$263,000 (R$1.8929 - common shares and R$2.0822 - preferred shares, in reais per thousand shares and R$1.6089 - common shares and R$1.7698 - preferred shares, net of income tax, in reais per thousand shares), which will be included in the Bank's calculation of mandatory minimum dividends for 2007 and generated a tax benefit of R$89,420.

c) Dividend equalization reserve

Limited to 50% of the capital, intended to assure funds for the payment of dividends, including in the form of interest on capital, or its prepayments, in order to maintain the flow of payments to stockholders.

d) Consolidated stockholders' equity – Unrealized Results

The Consolidated Stockholders' Equity is decreased by R$37,328 (2007 - R$36,839) of unrealized results and the realization of these results affected net income by R$39,709 (2007 - R$7,448).

26. 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] [2]
	2008
Adjusted Tier I Regulatory Capital [2]	23.033.013
Tier II Regulatory Capital	8.504.338
Adjusted Regulatory Capital (Tier I and II) [2]	**31.537.351**
Required Regulatory Capital	**23.527.735**
Adjusted Portion of Credit Risk [2]	22.324.423
Market Risk Portions [3]	916.186
Operational Risk Portion	287.126
Basel II Ratio	**14,7%**

(1) Amounts calculated based on the consolidated information of the financial institutions (financial group).
(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) Includes the portions for the Market Risk exposures subject to foreign currency coupon rates, price and interest rate indices, price of commodities, price of shares classified in the trading portfolio, interest rates not

The financial institutions must maintain investments in permanent assets consistent with their capital. Funds invested in permanent assets, determined on a consolidated basis, are limited to 50% of capital adjusted pursuant to prevailing regulation. Due to the recording of goodwill on the merger of the shares of Banco Real and AA Dois Par, Santander exceeded the limit for investment in permanent assets. The effect, arising exclusively from the mentioned corporate restructuring, does not represent any adverse impact on the financial position of Santander. As required by prevailing regulation, a regularization plan was prepared so that said limit is met, which was approved by the regulatory agency (Bacen).

27. Related-Party Transactions

a) Management compensation

The Annual Stockholders' Meetings define the maximum aggregate compensation for the Board of Directors and the Executive Board. In 2008, the stockholders defined a maximum aggregate compensation of R$108,702 and there was no resolution on port-employment benefits.

I) Short-term benefits

	Consolidated
Board of Directors' and Executive Board's compensation	**2008**
Fixed compensation	16.017
Variable compensation	55.421
Other	4.335
Total	**75.773**

II) 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. In the case of termination of contracts by the Bank, executives will be entitled to receive R$2,219 as compensation.

III) Other information

Lending operations

In conformity with prevailing regulations, financial institutions cannot grant loans or advances to:

a) any individuals or legal entities that control the institution or any entity under joint control with the institution, or any officer, member of the board of directors, member of the supervisory board, or member of the immediate family of such individuals;

b) any entity controlled by the institution; or

c) any entity in which the Bank holds, directly or indirectly, 10% or more of the capital.

Accordingly, loans or advances are not granted to any subsidiaries, executive officers, members of the board of directors or their families.

Ownership interest

The table below shows the direct interest (common shares and preferred shares) as of December 31, 2008 exceeding five percent of total shares.

Stockholders'	Common Shares	Common Shares (%)	Preferred Shares	Preferred Shares (%)	Total Shares	Total de Shares (%)
			(in thousand of shares, except percentages)			
Grupo Empresarial Santander, S.L.[1]	72.504.460	41,60	61.391.761	40,53	133.896.221	41,10
Sterrebeeck B.V.[1]	99.048.194	56,83	86.076.161	56,83	185.124.355	56,83
Members of the Board of Directors	(*)	(*)	(*)	(*)	(*)	(*)
Members of the Executive Board	(*)	(*)	(*)	(*)	(*)	(*)
Other	2.739.762	1,57	3.997.945	2,64	6.737.707	2,07
Total	**174.292.416**	**100,00**	**151.465.867**	**100,00**	**325.758.283**	**100,00**

(*) 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.

b) Related-Party Transactions

Transactions among the entities of Santander are carried out under usual market rates and terms, comparable to those applied in transactions with unrelated parties.

The principal transactions and balances are as follows:

	Bank			
	2008		2007	
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
Cash	**307.695**	**-**	**36.509**	**-**
Banco Santander, S.A. - Espanha	307.426	-	36.498	-
Other	269	-	11	-
Interbank Investments	**8.229.944**	**48.350**	**1.596.363**	**61.123**
Banco Santander, S.A. - Espanha	3.419.411	23.911	1.588.247	57.273
Abbey National Treasury Services Plc	4.674.000	9.437	-	-
Banco Real	-	3.604	-	-
Companhia de Crédito, Financiamento e Investimento Renault S.A.	14.778	808	-	-
Santander Brasil Arrendamento Mercantil S.A.	121.755	10.590	8.116	3.850
Securities and Derivatives	**6.022.769**	**6.208.378**	**3.606.295**	**1.064.110**
Santander Brasil Arrendamento Mercantil S.A.	3.858.112	429.471	3.430.722	364.096
Banco Santander, S.A. - Espanha	-	44.672	14.929	15.316
Santander Benelux, S.A., N.V.	1.472.414	5.565.713	159.925	683.398
Santander Overseas Bank, Inc - Puerto Rico	28.858	31.864	426	1.300
Abbey National Plc	417	-	-	-
Banco Real	662.968	134.823	-	-
Santander International Bank	-	1.835	293	-
Dividends and Bonuses Receivable	**394.846**	**-**	**143.458**	**-**
Santander Brasil Arrendamento Mercantil S.A.	435	-	30.941	-
Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários	5	-	26.947	-
Santander S.A. Corretora de Câmbio e Títulos	20.789	-	25.809	-
Santander S.A. Serviços Técnicos, Administrativos e de Corretagem de Seguros	-	-	36.331	-
Santander Investimentos em Participações S.A.	168.028	-	6.800	-
Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	11.204	-	16.604	-
AAB Dois Par	193.856	-	-	-
Other	529	-	26	-
Trading Account	**18.865**	**-**	**2.535**	**-**
Banco Santander, S.A. - Espanha	18.865	-	2.535	-
Foreign Exchange Portfolio - Assets	**2.546.422**	**-**	**1.248.462**	**-**
Banco Santander, S.A. - Espanha	1.924	-	1.085.359	-
Santander Benelux, S.A., N.V.	2.326.781	-	163.103	-
Banco Real	217.717	-	-	-

	Bank			
	2008		2007	
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
Receivables from Affiliates	**130.597**	**70.459**	**48.330**	**229.568**
Banco Santander, S.A. - Espanha	1.924	-	5.673	4.718
Santander Brasil Arrendamento Mercantil S.A.	159	2.052	169	1.901
Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários	3.728	28.744	1.594	12.772
Santander Seguros S.A.	115.720	1.078	32.878	170.339
Santander Brasil Seguros S.A.	4.539	-	3.370	19.030
Santander Capitalização S.A.	3.054	35.054	1.973	20.711
Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	147	3.505	-	-
Others	1.326	26	2.673	97
Other receivables - Other	**973**	**8.015**	**-**	**-**
Banco Real	55	64	-	-
Banco Santander, S.A. - Espanha	-	7.900	-	-
Santander Capitalização S.A.	918	-	-	-
Banco Comercial de Investimentos Sudameris S.A.	-	51	-	-
Deposits	**(5.159.398)**	**(499.376)**	**(4.124.146)**	**(409.260)**
Santander Brasil Arrendamento Mercantil S.A.	(3.658.948)	(415.655)	(3.487.168)	(376.402)
Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários	(12)	(3.426)	(91.757)	(2.081)
Santander S.A. Corretora de Câmbio e Títulos	(82.534)	(12.988)	(118.156)	(3.122)
Produban Serviços de Informática S.A.	(35.438)	(2.654)	(11.865)	(323)
Altec Brasil S.A.	(73.153)	(7.445)	(47.082)	(5.049)
Santander Investimentos em Participações S.A.	(593.257)	(46.248)	(304.089)	(17.489)
Santander Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	(79.813)	(6.423)	(45.652)	(3.908)
REB Empreendimentos e Administradora de Bens S.A.	(2.912)	(3.227)	-	-
Banco Real	(613.167)	(192)	-	-
Other	(20.164)	(1.118)	(18.377)	(886)
Money Market Operations	**(3.773.720)**	**(94.307)**	**(54.596)**	**(9.488)**
Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários	-	(2.042)	(35.017)	(4.472)
Santander S.A. Corretora de Câmbio e Títulos	(117.485)	(10.654)	(19.579)	(3.807)
Banco Real	(3.656.235)	(81.611)	-	-
Produban Serviços de Informática S.A.	-	-	-	(1.209)
Borrowings and Onlendings	**(3.493.865)**	**(51.739)**	**(1.323.936)**	**(57.456)**
Santander Overseas Bank, Inc - Puerto Rico	(1.153.129)	(50.406)	(1.300.276)	(57.456)
Banco Santander, S.A. - Espanha	(2.213.063)	(12)	(22.702)	-
Banco Español de Crédito, S.A. - Banesto	(125.777)	(1.321)	-	-
Other	(1.896)	-	(958)	-
Derivatives	**(3.062.122)**	**(6.198.065)**	**(126.864)**	**(554.546)**
Banco Santander, S.A. - Espanha	-	(30.759)	(5.051)	(25.831)
Banco Real	(1.587.175)	(196.810)	-	-
Santander Benelux, S.A., N.V.	(1.434.703)	(5.906.458)	(115.070)	(519.196)
Santander Overseas Bank, Inc - Puerto Rico	(2.232)	(7.719)	(3.320)	(5.284)
Abbey National Treasury Services Plc	-	(18.615)	-	-
Abbey National Plc	(35.529)	(36.832)	-	-
Santander Brasil Arrendamento Mercantil S.A.	(2.483)	(872)	(3.423)	(4.235)
Foreign Exchange Portfolio - Liabilities	**(201.284)**	**-**	**(1.251.108)**	**-**
Banco Santander, S.A. - Espanha	-	-	(1.093.493)	-
Santander Benelux, S.A., N.V.	-	-	(157.615)	-
Banco Real	(201.284)	-	-	-
Dividends and Bonuses Payable	**(1.352.252)**	**-**	**(1.411.725)**	**-**
Grupo Empresarial Santander, S.L.	(567.344)	-	(1.411.683)	-
Sterrebeeck B.V.	(784.892)	-	-	-
Other	(16)	-	(42)	-
Payables to Affiliates	**(12.163)**	**(1.292)**	**(6.653)**	**(3.228)**
Banco Santander, S.A. - Espanha	(12.075)	(289)	(6.371)	-
Other	(88)	(1.003)	(282)	(3.228)
Trading Account	**-**	**-**	**(15)**	**-**
Santander Brasil S.A. Corretora de Títulos e Valores Mobiliários	-	-	(15)	-
Other Payables - Other	**(23.976)**	**(226.569)**	**(5.112)**	**(31.917)**
Produban Serviços de Informática S.A.	(45)	(82.519)	-	-
Altec Brasil S.A.	(6.368)	(95.552)	(52)	(5.253)
Ingenieria de Software Bancario, S.L.	(14.479)	(19.857)	-	-
Others	(3.084)	(28.641)	(5.060)	(26.664)

	Consolidated			
	2008		2007	
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
Cash	**714.127**	**-**	**36.509**	**-**
Banco Santander, S.A. - Espanha	713.858	-	36.498	-
Others	269	-	11	-
Interbank Investments	**8.216.392**	**33.348**	**1.588.247**	**57.273**
Banco Santander, S.A. - Espanha	3.542.392	23.911	1.588.247	57.273
Abbey National Treasury Services Plc	4.674.000	9.437	-	-
Securities and Derivatives	**1.501.689**	**5.644.084**	**175.573**	**700.014**
Banco Santander, S.A. - Espanha	-	44.672	14.929	15.316
Santander Benelux, S.A., N.V.	1.472.414	5.565.713	159.925	683.398
Santander Overseas Bank, Inc - Puerto Rico	28.858	31.864	426	1.300
Santander International Bank	-	1.835	293	-
Abbey National Plc	417	-	-	-
Trading Account	**18.865**	**-**	**2.535**	**-**
Banco Santander, S.A. - Espanha	18.865	-	2.535	-
Foreign Exchange Portfolio - Assets	**2.872.705**	**-**	**1.248.462**	**-**
Banco Santander, S.A. - Espanha	545.924	-	1.085.359	-
Santander Benelux, S.A., N.V.	2.326.781	-	163.103	-
Payables to Affiliates	**125.237**	**44.032**	**43.894**	**214.798**
Banco Santander, S.A. - Espanha	1.924	7.900	5.673	4.718
Santander Seguros S.A.	115.720	1.078	32.878	170.339
Santander Brasil Seguros S.A.	4.539	-	3.370	19.030
Santander Capitalização S.A.	3.054	35.054	1.973	20.711
Other receivables - Other	**-**	**7.900**	**-**	**-**
Banco Santander, S.A. - Espanha	-	7.900	-	-
Deposits	**(120.400)**	**(10.374)**	**(58.947)**	**(5.372)**
Produban Serviços de Informática S.A.	(35.438)	(2.654)	(11.865)	(323)
Altec Brasil S.A.	(73.153)	(7.445)	(47.082)	(5.049)
Santander Seguros S.A.	(8.094)	-	-	-
Others	(3.715)	(275)	-	-
Borrowings and Onlendings	**(5.471.056)**	**(552.897)**	**(1.323.936)**	**(57.456)**
Santander Overseas Bank, Inc - Puerto Rico	(1.153.129)	(50.406)	(1.300.276)	(57.456)
Banco Santander, S.A. - Chile	(4.287)	(50.838)	(19.507)	-
Banco Santander, S.A. - Espanha	(4.071.725)	(439.379)	(3.195)	-
Banco Español de Crédito, S.A. - Banesto	(240.852)	(12.263)	-	-
Banco Santander, S.A. - Uruguai	(1.063)	(11)	(958)	-
Derivatives	**(1.667.390)**	**(6.183.306)**	**(123.441)**	**(550.311)**
Banco Santander, S.A. - Espanha	(160.648)	(204.622)	(5.051)	(25.831)
Santander Benelux, S.A., N.V.	(1.468.981)	(5.915.518)	(115.070)	(519.196)
Santander Overseas Bank, Inc - Puerto Rico	(2.232)	(7.719)	(3.320)	(5.284)
Abbey National Plc	(35.529)	(36.832)	-	-
Abbey National Treasury Services Plc	-	(18.615)	-	-
Foreign Exchange Portfolio - Liabilities	**(502.063)**	**(135.865)**	**(1.251.108)**	**-**
Banco Santander, S.A. - Espanha	(502.063)	(135.865)	(1.093.493)	-
Santander Benelux, S.A., N.V.	-	-	(157.615)	-
Dividends and Bonuses Payable	**(1.352.252)**	**-**	**(1.411.683)**	**-**
Grupo Empresarial Santander, S.L.	(567.344)	-	(1.411.683)	-
Sterrebeeck B.V.	(784.892)	-	-	-
Others	(16)	-	-	-
Payables to Affiliates	**(12.163)**	**(1.292)**	**(42)**	**-**
Banco Santander, S.A. - Espanha	(12.075)	(289)	-	-
Others	(88)	(1.003)	(42)	-
Other Payables - Other	**(28.371)**	**(226.569)**	**(5.112)**	**(31.917)**
Produban Serviçios Informáticos Generales, S.L.	(3.084)	(7.472)	(665)	(4.001)
Produban Serviços de Informática S.A.	(45)	(82.519)	-	-
Altec, S.A. - Chile	(4.395)	(2.837)	(4.395)	(5.717)
Altec Brasil S.A.	(6.368)	(95.552)	(52)	(5.253)
Aquanima Brasil Ltda.	-	(16.095)	-	(16.946)
Universia Brasil S.A.	-	(2.237)	-	-
Ingeneria de Software Bancario, S.L.	(14.479)	(19.857)	-	-

28. Income from Services Rendered

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Lending operations	701.118	1.017.917	738.818	1.017.917
Insurance	572.753	369.940	696.635	446.220
Income from fund management	538.072	583.355	707.639	622.105
Credit cards	439.872	345.906	796.904	345.906
Check account services	188.492	619.585	219.786	619.567
Securities brokerage and placement services	42.119	83.769	196.925	227.904
Receiving services				
Collection	152.645	133.451	229.437	133.451
Bills, taxes and fees	62.339	72.595	84.980	72.595
Guarantees provided	108.297	76.905	123.192	76.905
Other	239.650	168.172	455.984	178.849
Total	**3.045.357**	**3.471.595**	**4.250.300**	**3.741.419**

29. Income from Banking Fees

This account includes fees charged for priority services related to deposit accounts, transfer of money, lending operations, reference file and differentiated services for individuals and legal entities as established by the regulation of the Central Bank of Brazil. Income for 2007 was not reclassified from the caption “income from services rendered” for comparative purposes as permitted by prevailing regulation.

30. Personnel Expenses

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Compensation	1.074.966	1.114.920	1.756.447	1.125.880
Charges	420.537	426.347	720.628	430.650
Benefits	331.199	317.044	477.655	320.834
Training	25.199	30.550	46.732	30.559
Other	2.190	4.564	3.023	5.749
Total	**1.854.091**	**1.893.425**	**3.004.485**	**1.913.672**

31. Other Administrative Expenses

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Outside and specialized services	723.551	994.773	1.067.460	1.016.188
Depreciation and amortization	1.222.932	619.708	1.396.401	619.864
Advertising, promotions and publicity	304.550	266.617	527.818	267.632
Data processing	435.362	211.797	757.075	212.133
Communications	256.572	234.563	385.256	240.980
Rentals	174.380	164.886	261.802	164.706
Transportation and travel	128.669	135.423	200.533	136.135
Security services	109.480	102.467	158.262	102.467
Asset maintenance and upkeep	82.122	76.445	107.247	76.447
Financial system services	73.318	58.521	184.124	66.484
Utilities	63.086	64.025	85.989	64.069
Materials	35.045	34.141	55.631	34.144
Other	111.272	68.489	229.289	73.328
Total	**3.720.339**	**3.031.855**	**5.416.887**	**3.074.577**

32. Tax Expenses

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
COFINS (tax on revenue)	476.063	489.233	642.493	506.005
ISS (service tax)	161.569	152.673	240.760	166.995
PIS/PASEP (tax on revenue)	77.360	79.500	101.855	82.243
Other	78.968	82.514	187.804	90.326
Total	**793.960**	**803.920**	**1.172.912**	**845.569**

33. Other Operating Income

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Monetary adjustment of escrow deposits	208.356	133.960	302.008	149.396
Recovery of charges and expenses	255.685	99.961	355.283	88.994
Reversal of operating accruals				
Tax (Note 24.c)	-	14.979	99.574	20.557
Labor (Note 24.c)	-	-	29.405	415
Civil (Note 24.c)	-	-	19.705	1.101
Other	143.856	60.595	349.363	65.006
Monetary Variation	105.095	10.435	106.535	10.556
Dividends and bonuses	18.388	17.001	42.274	22.589
Other	64.281	81.486	308.170	97.534
Total	**795.661**	**418.417**	**1.612.317**	**456.148**

34. Other Operating Expenses

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Operating accruals				
Labor (Note 24.c)	781.798	818.936	1.023.187	833.363
Civil (Note 24.c)	214.313	113.903	310.885	118.542
Tax (Note 24.c)	75.953	92.563	112.085	111.255
Other	46.616	217.431	52.937	226.011
Credit cards	158.402	114.119	232.358	114.119
Actuarial Losses (note 37)	109.407	99.314	109.407	99.314
Exchange variation - foreign branch	-	84.996	-	84.996
Monetary Losses	27.149	55.030	27.606	55.227
Legal fees and costs	40.491	45.087	40.506	46.658
Serasa/SPC (credit reporting agency)	41.785	42.121	41.799	42.139
Interest on sale of right to receipt of future flow of payment orders from abroad	557.157	38.455	557.157	38.455
Impairment of Assets	11.362	-	74.262	-
Brokerage fees	28.764	22.505	28.912	22.513
Commissions	5.718	13.490	25.246	40.710
CPMF/IOF (taxes on banking transactions)	16.945	65.325	17.043	67.125
Provision for employee's shares - 150 years [1]	-	76.663	-	77.240
Other	194.441	274.176	450.714	303.896
Total	**2.310.301**	**2.174.114**	**3.104.104**	**2.281.563**

(1) In June 2007, the Stockholders' Meeting of Banco Santander, in Spain, approved the distribution of 100 shares to each employee as part of the celebration of its 150 years.

35. Nonoperating (Expenses) Income

		Bank		
		2008		**2007**
Gain on sale of Investments [1]	3.199	474.747	90.847	773.720
Gain on sale of other assets	16.403	13.116	16.838	19.361
Reversal/(Recognition) of allowance for losses on other assets	8.416	12.258	10.462	13.470
Expense on assets not in use	(28.434)	(31.092)	(28.466)	(31.300)
Capital losses	(34.442)	(42.699)	(52.728)	(42.821)
Other (expenses) income[2]	(18.293)	(237.574)	(25.367)	(237.302)
Total	**(53.151)**	**188.756**	**11.586**	**495.128**

(1) In 2008, includes the partial sale of shares of Bovespa e BM&F, reported nonrecurring gains in the amount of R$81million and in 2007, the partial sale of shares of Serasa, Bovespa and BM&F, and full sale of the Banespa Grand Cayman branch in the amount of R$771million in the Bank and Consolidated.
(2) In 2007, includes provision for residual costs of deferred charges in the amount of R$294,551.

36. Income and Social Contribution Taxes

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Income before taxes, net of profit sharing	**823.886**	**1.895.150**	**625.309**	**2.016.179**
Interest on capital	(480.000)	(527.600)	(486.608)	(527.600)
Unrealized profits	-	-	(39.709)	7.448
Income before taxes	**343.886**	**1.367.550**	**98.992**	**1.496.027**
Total income and social contribution tax at the rates of 25% and 15%, respectively [1]	**(137.554)**	**(464.967)**	**(39.597)**	**(508.649)**
Equity in subsidiaries	411.589	174.797	2.256	1.003
Reserve for maintenance of integrity of stockholders' equity	330.951	303.178	330.951	303.178
Nondeductible expenses and provisions	(36.888)	(50.086)	(19.110)	34.487
Exchange variation - foreign branches	113.584	(28.899)	640.515	(28.899)
Effect of income and social contribution taxes on prior year's temporary differences	128.287	-	128.801	-
Effects of change in tax rate and result in subsidiaries at the rate of 9%	(92.793)	9.124	(87.878)	26.886
Other adjustments	(158)	(349)	17.403	1.214
Income and social contribution taxes	**717.018**	**(57.202)**	**973.341**	**(170.780)**

(1) Executive Act No. 413 was issued on January 3, 2008, determining, among other provisions, an increase in CSLL (social contribution tax) from 9% to 15% for financial institutions and insurance and capitalization entities. The Executive Act is effective May 1, 2008. For the other companies the social contribution tax rate is 9%.

37. Pension Plan

a) Supplemental Pension Plan

The Bank and its subsidiaries sponsor private pension entities and plans for the purpose of providing retirement and pension benefits that supplement those provided by government, as defined in the basic regulations of each plan.

I) Banesprev - Fundo Banespa de Seguridade Social (Banesprev)

Plan I: fully defrayed by the Bank, covers employees hired on or after May 22, 1975, and those hired by May 22, 1975 who are also entitled to death benefits.

Plan II: effective July 27, 1994, when the new text of the Statutes and Basic Regulations of Plan II came into effect, Plan I participants who opted for the new plan began contributing 44.94% of the funding rate established by the actuary for each period.

Plan V: fully defrayed by the Bank, covers employees hired on or after May 22, 1975.

Supplemental Pension Plan: was created in view of the privatization of Banespa and is managed by Banesprev. This Plan, effective January 1, 2000, is provided only to employees hired until May 22, 1975.

Plan III: covers employees hired on or after May 22, 1975, previously enrolled in Plans I and II. In this plan, contributions are made by both the sponsor and participants.

Plan IV: covers employees hired on or after November 27, 2000, in which the sponsor contributes only to risk benefits and administrative costs.

II) Sanprev - Santander Associação de Previdência (Sanprev)

Plan I: was established on September 27, 1979 as a defined benefit plan for employees of plan sponsors, and has been in the process of discontinuance since July 1, 1996.

Plan II: provides a risk coverage, temporary supplemental pension, disability retirement, lump-sum death benefit, supplemental sick pay and birth grant, for employees of plan sponsors and is funded exclusively by the sponsors through monthly contributions corresponding to 1.16% of the total payroll, structured as a defined benefit plan. Monthly contributions are apportioned as follows: 0.28% for risk benefits and 0.88% for the administrative program.

Plan III: provides period-certain annuity and monthly life annuity for employees of contributing sponsors and is structured as a defined contribution plan, whereby contributions are freely made by participants starting at 2% of the contribution salary.

III) Holandaprevi: defined benefit plan, started in 1999, funded mainly by Banco Real and managed by Holandaprevi Sociedade de Previdência Privada.

IV) Previban: defined benefit plan, managed by Previban - Previdência Privada Paraiban, sponsored by Banco Real, whose participants are the former employees of Banco da Paraíba S.A. - Paraiban. This plan is closed to new entrants and is in process of withdrawal of sponsoring.

V) Bandeprev: defined benefit plan, sponsored by Banco de Pernambuco S.A. – BANDEPE and Banco Real, managed by Bandeprev - Bandepe Previdência Social. The plans are divided into basic plan and special plan, with different eligibility requirements, contributions and benefits by subgroups of participants. Both plans are closed to new entrants. As a result of the spin-off of Banco de Pernambuco S.A. – Bandepe's operations and subsequent merger into Banco Real., the employees of Bandepe were transferred to Banco Real on May 1, 2006.

VI) Fasass: three plans managed by Fundação América do Sul de Assistência e Seguridade Social, sponsored by Banco Comercial e de Investimento Sudameris S.A., with the following features:

Defined benefit supplementary pension plan, in the process of discontinuance since July 1, 1998;

Benefit plan II, a defined benefit plan created on July 1, 1998, including death and disability coverage, closed to new entrants since July 8, 1999;

Benefit plan III, a defined benefit plan created on July 1, 1998, closed to new entrants since July 8, 1999. The plan is in process of withdrawal of sponsoring.

VII) Other

Banco Santander S.A. is the sponsor of pension plans for associated employees, structured as defined benefit plans.

				2008
		Banesprev	Sanprev	Other
	Plan V	Other Plans	Plans I e II	Plans
Reconciliation of assets and liabilities				
Present value of actuarial obligations	4.426.941	4.399.796	65.099	210.080
Fair value of plan assets	(4.279.276)	(4.400.960)	(133.608)	-
Adjustments for allowed deferrals:				
Unrecognized actuarial losses	-	(471.424)	-	(44.538)
Unrecognized actuarial gains	182.493	57.406	26.430	-
Net actuarial asset at December 31, 2008 [1]	**-**	**(446.315)**	**(42.079)**	**-**
Net actuarial liability at December 31, 2008	**330.158**	**31.133**	**-**	**165.542**
Payments made [2]	(37.929)	(29.376)	(741)	(31.284)
Expenses recorded	52.644	13.874	-	42.889
Actual return on plan assets	969.273	518.233	10.498	-

	Holandaprevi	Bandeprev	Fasass [2]	Previban
Reconciliation of assets and liabilities				
Present value of actuarial obligations	4.514	856.310	490.414	27.140
Fair value of plan assets	(3.989)	(1.065.155)	(482.739)	(27.140)
Adjustments for allowed deferrals	-	-	-	-
Unrecognized actuarial losses	(689)	-	(19.030)	(118)
Unrecognized actuarial gains	730	86.787	-	-
Net actuarial asset at December 31, 2008 [1]	**-**	**(122.058)**	**(11.355)**	**(118)**
Net actuarial liability at December 31, 2008	**566**	**-**	**-**	**-**
Payments made [2]	(94)	(112)	-	-
Expenses recorded	93	-	-	3
Actual return on plan assets	438	104.531	7.931	3.081

				2007
		Banesprev	Sanprev	Other
	Plan V	Other Plans	Plans I e II	Plans
Reconciliation of assets and liabilities				
Present value of actuarial obligations	4.150.799	3.459.338	72.496	186.550
Fair value of plan assets	(3.811.161)	(4.143.415)	(130.306)	-
Adjustments for allowed deferrals:	-	-	-	-
Unrecognized actuarial losses	(24.195)	(68.237)	-	(32.613)
Unrecognized actuarial gains	-	502.007	22.102	-
Net actuarial asset at December 31, 2007 [1]	**-**	**(276.097)**	**(35.708)**	**-**
Net actuarial liability at December 31, 2007	**315.443**	**25.790**	**-**	**153.937**
Payments made [2]	(3.684.846)	(23.949)	(695)	(28.587)
Expenses recorded	64.842	8.526	-	25.946
Actual return on plan assets	647.050	761.712	12.521	-

(1) As provided for in article 49, item "g" of CVM Resolution 371/2000, the above surplus was not recorded in the financial statements of Banco Santander S.A.

(2) In 2007 this balance includes R$3.598.816 of the initial transfer and the monthly amounts paid to Banesprev for Plan V.

The amounts allocated during the year, related to the Defined Contribution Plans were R$985 to Banesprev - Plans III and IV (2007, R$1,239), R$2,251 to Sanprev - Plan III (2007, R$2,077), and R$27,089 to Holandaprevi.

b) Main Actuarial Assumptions

Actuarial Assumptions Adopted

- Nominal discount rate for actuarial obligation:
  .Banesprev - Plan V and Other Plans - 16.5% (2007, 16.7%).
  .Banesprev - Supplementary pension plan - 14.9% (2007, 14.7%).
  .Banesprev – Other plans - 12.1% (2007, 14.6%. except for Plan IV 13.6%).
  .Sanprev plans - 12.5% (2007, 10.4%). .
  .Bandeprev. Fasass. Holandaprevi and Previban - 10.3%.
- Expected rate of return on plan assets:
  .Banesprev - Plan V and Other Plans - 16.5% (2007, 16.7%).
  .Banesprev - Supplementary pension plan - 14.9% (2007, 14.7%).
  .Banesprev - Other Plans - 12.9%. except for Plan IV - 12.5% (2007, 14.6%. except for Plano IV - 13.6%)
  .Sanprev Plans - 10.6% (2007, 10.4%).
  .Bandeprev - 12.1%. Fasass - 13.8% and Holandaprevi and Previban - 11.8%.
- Estimated long-term inflation rate and estimated salary and benefit increase rate:
  .Banesprev and Sanprev - All plans - 4.0% (2007, 4.2%).
  .Bandeprev. Fasass. Holandaprevi and Previban - 4.0%.
  .Bandeprev and Holandaprevi - salary growth of 1.0% and Fasass and Previban - null growth as they do not have active participants
- General mortality biometric table
  .Banesprev, Sanprev, other plans - AT-2000.
  .Holandaprevi and Bandeprev - AT-2000 Segregated by gender.
  .Previban and Fasass - UP-94 Segregated by gender.
- Disability biometric table and disability mortality table:
  .Banesprev and Sanprev - Mercer Disability table. Not applicable to the other plans.
  .Bandeprev, Fasass, Holandaprevi and Previban - Mercer Disability and Disability mortality table: IAPB57.
- Expected Turnover table
  .Banesprev - Plan V (0.1/Length of service +1) up to 50 years of age.
  .Banesprev - Supplementary pension plan and other plans - 0%.
  .Banesprev - Other plans – 2.0% and Plans Sanprev - null.
  .Holandaprevi segregated by age according to the rates below, by minimum wage (MW) cohorts: up to 10 MWs – 10% to 7%; from 10 MWs up to 20 MWs – 9% to 6%; and above 20 MWs - 8% to 5%.
  .Bandeprev follows the cohorts: up to 10 MWs =0.45/(length of service+1); from 10 MWs to 20 MWs=0.30/(length of service +1); and above 20 MWs=0.15/(length of service +1).
  .Fasass and Previban is null, as they do not have active participants.
- Probability of retirement: 100% upon first eligibility.

c) Health and Dental Care Plan

c.1) Cabesp - Caixa Beneficente dos Funcionários do Banco do Estado de São Paulo S.A

The Bank contributes to Cabesp, an entity that covers health and dental care expenses of employees hired until Banespa privatization in 2000.

	2008	2007
Reconciliation of assets and liabilities		
Present value of actuarial obligations	2.413.184	2.786.206
Fair value of plan assets	(2.803.139)	(2.782.114)
Adjustments for allowed deferrals:	-	-
Unrecognized actuarial losses	-	(148.346)
Unrecognized actuarial gains	223.864	-
Net actuarial asset (liability), December 31	**(166.091)**	**(144.254)**
Payments made	37.113	36.021
Expenses recorded	14.184	-
Actual return on plan assets	131.143	438.418

c.2) Holandaprevi's retirees

Holandaprevi'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.

c.3) 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.

c.4) Bandeprev's retirees

The health care plan of Bandeprev's pension plan beneficiaries is a lifetime benefit, for which the Bank is responsible for defraying 50% of the benefits of employees retired before the date the sponsor Banco de Pernambuco S.A. - Bandepe was privatized and 30% of the benefits of employees retired after privatization.

c.5) 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 ten years or more (closed group). With the merger of Banco Sudameris Brasil S.A., Banco Real became responsible for ensuring the benefit.

c.6) Plasas - Fasass' Supplementary Health Plan (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.

c.7) Life insurance for Banco Real's retirees (Life Insurance)

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 Real subsidizes 45% of the total premium (closed group).

c.8) 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.

	Holandaprevi	Bandeprev	Retiree by Circulars
Reconciliation of assets and liabilities			
Present value of actuarial obligations	3.613	101.676	75.016
Fair value of plan assets	-	-	-
Adjustments for allowed deferrals:	-	-	-
Unrecognized actuarial losses	-	(4.965)	-
Unrecognized actuarial gains	1.963	-	5.272
Net actuarial liability as of December 31, 2008	**5.576**	**96.711**	**80.288**
Payments made	(337)	(998)	(717)
Expenses recorded	73	3.606	2.385

	Lifetime Officers	Fasass	Life Insurance	Free Clinic
Reconciliation of assets and liabilities				
Present value of actuarial obligations	2.343	2.999	3.402	109.242
Fair value of plan assets	-	(91.938)	-	(2.492)
Adjustments for allowed deferrals:				-
Unrecognized actuarial losses	-	-	(668)	(15.658)
Unrecognized actuarial gains	899	12.394	-	-
Net actuarial asset as of December 31, 2008	**-**	**(76.545)**	**-**	**-**
Net actuarial liability as of December 31, 2008	**3.242**	**-**	**2.734**	**91.092**
Payments made	(78)	-	(127)	-
Expenses recorded	99	-	98	1.173
Actual return on plan assets	-	7.940	-	5

d) Stock-based compensation

(i) Plan I-06

In 2004, Santander created a long-term incentive plan for its executives (I06), linked to the attainment of two goals related to the controlling stockholder's shares: appreciation of share price and growth of earnings per share. The conditions to receive the income were met and the variable compensation was paid from January 15, 2008 to January 15, 2009, at the price of €9.09 per stock option. The executives who had not exercised plan I-06 options by December 31, 2008 can no longer exercise this right from December 13, 2008 to January 15, 2009 since the quotation of Santander Group's was below the base price established in the contract (€9.09).

(ii) 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 Banesto). This policy provides for compensation tied to the performance of the stock of Santander Spain, as established in the Annual Stockholders' Meeting.

Santander 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-year 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 (PI09) and the other cycles lasting three years, on average.

A maximum number of shares in each cycle is established for each beneficiary that continued to work in the Group during the plan. The goals whose attainment determine the number of shares granted, are defined by comparing the Group's performance with the Benchmark Group's performance (financial institutions) and are related to two parameters: Total Return to the Stockholder (RTA) and Earnings/Benefit per Share (BPA) growth.

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), and the shares will be granted within a maximum period of seven months from the end of the second cycle.

As of December 31, 2008, the maximum number of shares to be granted is 834,332 (for a total of 482 participants) in the First Cycle (PI09) and 1,243,355 (487 participants) in the Second Cycle (PI10).

In 2008, daily pro rata expenses of R$19,446 Bank and R$19,646 Consolidated (2007, R$10,134 Bank and R$10,311 Consolidated) were recorded related to the initial costs on the related grant dates for each of the above-mentioned cycles.

38. Other Information

a) The co-obligations and risks on guarantees provided on behalf of customers, recorded in memorandum accounts, amounted to R$ R$17,331,203 in the Bank and R$25,513,294 Consolidated (2007 - R$15,299,229 in the Bank and Consolidated).

b) The total net book value of investment funds managed by Santander Group is R$80,402,046 (2007 - R$55,911,429 and the total net book value of managed investment funds is R$90,244,821 (2007 - R$60,887,770).

c) The insurance contracted by the Bank effective as of December 31, 2008, with bankers' blanket insurance, fire, vehicles and other risks coverage, amounts to R$650,667 Bank and R$1,419.096 Consolidated (2007, R$1,922,107 Bank and R$1,930,827 Consolidated).

Bankers' blanket insurance contracted has coverage of R$145,539 Bank and R$227,832 Consolidated (2007, R$163,923 Bank and R$172,643 Consolidated), and can be used separately or jointly, providing it does not exceed the contracted amount.

d) Restricted operations were as follows:

	Assets (Liabilities)		Income (Expenses)	
	2008	2007	2008	2007
Restricted operations on assets				
Lending operations	20.636	8.140	2.057	9.749
Liabilities - restricted operations on assets				
Deposits	(20.636)	(8.140)	(2.047)	(9.689)
Net income			**10**	**60**

There are no default operations or court challenges regarding restricted operations on assets or funds raised to be used in these operations.

e) The subsidiaries of Banco Santander have operating leases for the vehicles of its executives that totaled payments of R$14,433 in 2008. The main terms of the agreements are as follows: (i) all expenses related to corrective maintenance, accidents and traffic violations are the responsibility of the users, (ii) each vehicle has an individual contract effective for 24 moths and replacement is made at the Bank's request, (iii) the Bank has a purchase option (or may assign such option to its employee) at the end of the 24-month period, (iv) the contract provides for annual adjustments based on the General Market Price Index (IGP-M) and the price of each vehicle is determined when it joins the fleet (case-by-case quotation) and (v) the termination of individual contracts results in a fine of 33% of total installments falling due.

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Summary of the Audit Committee Report

Santander Financial Group's Audit Committee was established by the Board of Directors of Banco Santander S.A. (the Group's lead entity) on March 23, 2007, to ensure compliance with National Monetary Council's Resolution 3198/2004 and article 32 of Banco Santander S.A.'s By-laws. As a result of the transfer of control on October 22, 2008 of the entities of the ABN AMRO Real Group in Brazil to Santander Group, whereby ABN AMRO Real became part of the same financial group, upon resolution at the Extraordinary Stockholders' Meeting (ESM), the adoption of a single Audit Committee was approved for the group's lead entity, Banco Santander S.A., pursuant to article 11 of CMN Resolution 3198/2004, which is awaiting approval by the Central Bank of Brazil (Bacen). A similar resolution was approved by Santander Seguros S.A. at the ESM held on July 7, 2008, when the entity also adhered to the decision of Santander financial group adopting a single Audit Committee, as permitted by article 14 of Resolution 118/2004 of the National Council of Private Insurance (CNSP). Such resolution was approved by the Superintendency of Private Insurance (Susep) on October 29, 2008.

This Audit Committee is composed of three independent members that were appointed at the Board of Directors' Meeting of March 23, 2007. The members have a one-year term of office, renewable for up to four consecutive terms.

Under prevailing legislation, Management is responsible for preparing, disclosing and ensuring the integrity of the financial statements, and for adopting the best practices in internal control system and procedures, in order to ensure compliance with Brazilian accounting practices and standards from the National Monetary Council (CMN), Central Bank of Brazil (Bacen), Brazilian Securities and Exchange Commission (CVM), National Council of Private Insurance (CNSP), and Superintendency of Private Insurance (Susep).

The independent auditors are responsible for planning and performing the audit of the individual and consolidated financial statements of the group.

The Audit Committee advises the Board of Directors in the oversight of financial reports, assessment of the internal control system effectiveness, auditors' independence, and performance of internal and independent audits, and recommends corrections and improvements of policies, practices and procedures identified in the course of its duties, whenever deemed necessary.

The Audit Committee held thirty four meetings in 2008. In the second half of the year and in January 2009, nineteen meetings were held for conducting the duties incumbent on them.

Also, to fulfill the Audit Committee's duties and responsibilities, the Coordinator, appointed among the members, devotes full time to this function, and participates as a guest in Executive Committees, including Operational Risks, Compliance, Money Laundering Prevention, Legal, and Products.

To gain a thorough knowledge of Real, the Audit Committee held specific discussions, which covered the work plan of the independent audits of Real, operating performance and equity distribution for the last four halves of the years, major contingencies, the approach used to make escrow deposits, and the work developed by the Compliance, Money Laundering Prevention, Internal Controls, Ombudsman and Information Security areas.

Regarding the Audit Committee's roles and responsibilities:

1 – In Santander Financial Group, the Vice Presidency for Operational Risks, after merging Real, remained accountable for the implementation, dissemination, management and control of operational risks and the internal control system effectiveness. Accordingly, the Audit Committee analyzed the process used to migrate the activities and the consolidated work developed by the area, verifying their conformity with CMN Resolutions 2554/1998 and 3380/2006 and Susep Circular 249/2004. The Audit Committee also followed up on the reported frauds and errors by the area.

2 – Concerning the internal audit work, the Audit Committee monitored the reports issued, findings, implementation of recommendations and comments related to the preliminary work for Sarbanes-Oxley (SOX) certification, and verified the changes in the area structure as a result of the entities integration process.

3 – With respect to the independent audit services provided by Deloitte Touche Tohmatsu Auditores Independentes, the Audit Committee formally held five meetings, attended by both audit teams, separately responsible for Santander and Real. The main discussions at the meetings involved the standardization of accounting practices, the recording of the transfer of control of the ABN AMRO Real group, and the applicability of the changes in accounting standards related to the convergence to international standards.

4 - The Audit Committee reviewed the financial statements of the Santander Financial Group entities, confirming their quality. In this respect, the Committee followed up on the six-month period closing, prior to disclosures, and met with the independent auditors and the professionals responsible for the accounting and the preparation of the financial statements.

5 – In view of CVM Resolution 3477/2007, which established, effective September 30, 2007, the creation of an Ombudsman function for the institutions, the semiannual reports, to be submitted to Bacen, shall be approved by the Audit Committee in a meeting scheduled for February 12. The meeting will address the results and the work developed by the Ombudsman of Santander and Real, already integrated into the same executive board, but operating in different technology platforms.

As a result of the assessments performed, based primarily on information received from Management, internal and independent auditors, and the area responsible for the corporate monitoring of internal controls, the Audit Committee concluded that the work developed is effective and provides transparency and quality to Santander Financial Group's financial statements.

Audit Committee
São Paulo, February 2, 2009

Maria Elena Cardoso Figueira
Sérgio Darcy da Silva Alves
Taiki Hirashima

INVESTOR RELATIONS

Rua Amador Bueno, 474 – 4th floor
04752-005 – São Paulo – SP – Brazil
Tel.: (55 11) 5538 – 8654
Fax.: (55 11) 5538 – 8361
E-mail: ri@santander.com.br