

Operating and Financial Review and Financial Statements prepared ind accordance with International Financial Standards Standards

Banco Santander (Brasil) S.A.

December 31,2012

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(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

We presented the Management Report to consolidated interim financial statements of Banco Santander (Brasil) S.A. for the period ended December, 2012, were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretation Committee (Current name of IFRIC) (IFRS).

• Macroeconomic Environment

Economic activity showed a slight recovery during the fourth quarter. Overall GDP growth in third quarter of 2012 (last data available) increased to 0.9% in comparison to the third quarter of 2011, from 0.5% in the second quarter of 2012. Investments showed a 5.6% year-over-year contraction in the period, whereas household consumption expanded a modest but solid 3.4% in the same basis of comparison. Once again, the industrial sector showed the worst performance, with a 1.0% decline in its production from the levels seen one year ago. This dynamic reflects the continued strength of income and employment domestically, contrasting with the weaker global environment.

Consumer prices, as measured by the National Index of Consumer Price Large (IPCA), reached 5.84% in 2012, above the level observed in September (5.28%). Service prices continue to exert pressure on inflation, driven by increasing labor costs. Meanwhile, the prices of durable goods contributed to mitigate inflationary pressures, favored by the disinflationary impact of the tax breaks currently in place for cars and other goods. In this context of weaker economic activity and inflation within the target, the Bacen finished with its policy of easing monetary conditions (-500 bps), bringing the target overnight rate Special System of Clearance and Custody (Selic) to 7.25% p.a., the lowest level of the historical series.

In compass with that, bank lending rates have continued to decline, with the average lending rate to individuals reaching 34.6% p.a. in December, also a historical low. Outstanding credit advanced 16.2% from previous year levels, reaching R$2.3 trillion, which corresponds to 53.5% of GDP, the highest level ever. Growth in housing financing remains as the highlight, posting a 38.2% year-over-year growth in the same period.

Weaker global conditions have been weighing on Brazilian exports, which have contracted by 5.3% in 2012 versus the same period of the previous year. Imports also declined mildly by 1.4% in the same period, reflecting a weaker currency and slower domestic demand. As a result, the trade surplus in 2012 declined from US$29.8 billion to US$19.5 billion.

Nevertheless, the current account deficit remained relatively stable around US$50 billion in the twelve months through December, with the contraction of remittance of profits and dividends offsetting the poorer trade results. On the financing side, foreign direct investment flows (US$65.3 billion) continue to largely exceed the current account deficit. The exchange rate closed the fourth quarter around R$2.04/US$.

On the fiscal side, the various tax breaks announced by the government to stimulate the economy, in conjunction with the lower economic activity, led to weaker tax collection and consequently a narrowing primary surplus in the public sector, which reached 2.25% of GDP in the twelve months through November. Nevertheless, declining interest rates have kept public sector borrowing requirements relatively unchanged at 2.7% of GDP over the same period. The net public sector debt reached 35.2% of GDP by end-November.

1. Net Income

Consolidated Income Statements R$ Million	12.31.12	12.31.11	Annual Change %	4th Quarter of 2012	3rd Quarter of 2012	Quarterly Change %
INTEREST NET INCOME	**31.692**	**27.902**	**13,6%**	**7.663**	**8.037**	**-4,6%**
Income from equity instruments	94	94	0,0%	47	5	840,0%
Income from companies accounted for by the equity method	73	54	35,2%	14	23	-39,1%
Commissions (net)	7.753	7.339	5,6%	2.013	1.969	2,2%
Gains (losses) on financial assets and liabilities (net) and Exchange differences (net)	(170)	(235)	-27,7%	(135)	211	-164,0%
Other operating income (expense)	(625)	(379)	64,9%	(141)	(142)	-0,7%
TOTAL INCOME	**38.817**	**34.775**	**11,6%**	**9.461**	**10.103**	**-6,3%**
Administrative expenses	(13.203)	(12.373)	6,7%	(3.461)	(3.315)	4,4%
Personnel expenses	(7.127)	(6.644)	7,3%	(1.852)	(1.798)	3,0%
Other general expenses	(6.076)	(5.729)	6,1%	(1.609)	(1.518)	6,0%
Depreciation and amortization	(1.831)	(1.462)	25,2%	(482)	(485)	-0,7%
Provisions (net)	(2.207)	(3.061)	-27,9%	(491)	(574)	-14,4%
Impairment losses on financial assets (net)	(16.476)	(9.382)	75,6%	(4.801)	(3.781)	27,0%
Impairment losses on other assets (net)	(38)	(39)	-2,6%	(30)	(16)	82,4%
Gains on disposal of assets not classified as non-current assets held for sale	501	5	N/A	499	-	N/A
Gains (losses) on disposal and expenses of non-current assets held for sale not classified as discontinued operations	(52)	448	-111,6%	(62)	(3)	1924,2%
OPERATING PROFIT BEFORE TAX	**5.511**	**8.911**	**-38,2%**	**632**	**1.928**	**-67,2%**
Income taxes	(52)	(1.155)	-95,5%	178	(462)	-138,5%
PROFIT FOR THE PERIOD	**5.459**	**7.756**	**-29,6%**	**810**	**1.465**	**-44,7%**

Net Interest Margin

On December 31, 2012, the net interest income reached R$31,692 million increased of 13.6% compared with the previously year. On the quarter decreased of 4.6%.

Revenues from credit presented an evolution during the year, due to the growth in the average volume of credit portfolio in twelve months. On the other hand, revenues in the quarter accounted decreased due to a reduction in the average spread, mainly due to the change in the portfolio mix of individual products.

Expenses (Administrative + Personnel)

The expenses (administrative + personnel) totaled R$13,203 million in December 31, 2012, increased of 6.7% compared with the previously year. Compared with the third quarter of 2012, the general expenses had an increase change of 4.4%. Other administrative expenses totaled R$6,076 million, increased of 6.1% in twelve months and 6% on quarter.

Personnel expenses totaled R$7,127 million on December 31, 2012, increased of 7.3% in twelve months and 3% compared with the third quarter.

As a result the efficiency ratio, calculated by division the general expenses by total revenue, reached 34.0% on year and 36.6% on quarter.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Provision for impairment of loans and advances

The impaired assets amounted R$18,004 (December 31, 2011 - R$11,190) increased R$6,814 or 60.9% compared to December 31, 2011, , the provision for impairment losses, including the total revenue recovery, totaled R$16,476 (R$9,382 on December 31, 2011), increased R$7,094 or 75.6% compared to December 31, 2011. In addition, were recovered R$1,529 of loans previously charged off in twelve months.

Income Taxes

The total taxes includes income tax, social contribution, PIS and Cofins. In December 31, 2012, the tax income reached to an expense of R$52 million, considering the Cayman fiscal hedge effect the income tax is an expense of R$1,437 million.

2. Assets/Liabilities

Total Assets at December 31, 2012 totaled R$421,085 million.

Consolidated Balance Sheets R$ Million	12.31.12	12.31.11	Annual Change %	09.30.12	Quarterly Change %
Assets					
Cash and Balances with the Brazilian Central Bank	55.535	65.938	-15,8%	63.053	-11,9%
Financial Assets held for Trading	31.638	29.901	5,8%	22.140	42,9%
Other Financial Assets at Fair Value Through Profit or Loss	1.228	666	84,4%	1.335	-8,0%
Loans and amounts due from credit institutions	5	61	-91,8%	10	-50,0%
Debt instruments	124	230	-46,1%	134	-7,5%
Equity instruments	1.099	375	193,1%	1.191	-7,7%
Available-for-Sale Financial Assets	44.149	44.608	-1,0%	40.941	7,8%
Loans and Receivables	226.957	202.757	11,9%	224.686	1,0%
Loans and amounts due from credit institutions	29.988	19.691	52,3%	31.332	-4,3%
Loans and advances to customers	210.741	194.184	8,5%	206.735	1,9%
Impairment Losses	(14.042)	(11.180)	25,6%	(13.648)	2,9%
Debt instruments	270	62	335,5%	267	1,1%
Hedging Derivatives	156	81	92,6%	79	97,5%
Non-Current Assets Held For Sale	166	132	25,8%	134	23,9%
Investments in Associates and Joint Ventures	472	422	11,8%	459	2,8%
Tangible Assets	5.938	5.008	18,6%	5.609	5,9%
Intangible Assets	32.021	31.436	1,9%	31.901	0,4%
Goodwill	27.218	27.218	0,0%	27.218	0,0%
Other intangible assets	4.803	4.218	13,9%	4.683	2,6%
Tax Assets	19.881	16.250	22,3%	19.697	0,9%
Other Assets	2.944	2.687	9,6%	2.661	10,6%
Total Assets	**421.085**	**399.886**	**5,3%**	**412.695**	**2,0%**

Consolidated Balance Sheets R$ Million	12.31.12	12.31.11	Annual Change %	09.30.12	Quarterly Change %
Liabilities					
Financial Liabilities Held For Trading	5.352	5.047	6,0%	5.693	-6,0%
Financial Liabilities at Amortized Cost	306.976	291.451	5,3%	298.545	2,8%
Deposits from Central Bank of Brazil and deposits from credit	35.074	51.527	-31,9%	38.022	-7,8%
Customer deposits	188.595	174.474	8,1%	182.242	3,5%
Marketable debt securities	54.012	38.590	40,0%	49.384	9,4%
Subordinated liabilities	11.919	10.908	9,3%	11.696	1,9%
Other financial liabilities	17.376	15.952	8,9%	17.201	1,0%
Hedge Derivatives	282	36	683,3%	182	54,9%
Provisions	8.822	9.515	-7,3%	9.177	-3,9%
Tax Liabilities	13.784	11.876	16,1%	14.109	-2,3%
Other Liabilities	4.303	3.929	9,5%	3.887	10,7%
Total Liabilities	**339.519**	**321.854**	**5,5%**	**331.592**	**2,4%**
Shareholders' Equity	79.815	77.045	3,6%	79.697	0,1%
Other Comprehensive Income	1.502	968	55,2%	1.379	8,9%
Non-Controlling Interests	249	19	1210,5%	27	822,2%
Total Equity	**81.566**	**78.032**	**4,5%**	**81.103**	**0,6%**
Total Liabilities and Equity	**421.085**	**399.886**	**5,3%**	**412.695**	**2,0%**

Loan Portfolio

The growth strategy of Banco Santander remains supported by the most profitable segments: Individuals and Small and Medium-sized Entities. As a result, the total portfolio reached R$210,741 million, increasing in twelve months 8.5% and in three months 1.9%.

Funding

Total funding (deposits from credit institutions, deposits from clients, marketable debt securities and subordinated liabilities) reached R$289,600 million on 2012, increasing 5.1% compared with 2011.

3. Stockholders' Equity

Banco Santander consolidated shareholders' equity amounted to R$81,566 million on December 31, 2012, compared with R$78,032 million in December 2011.

The evolution of shareholders' equity compared with December 31, 2012 is due to income of R$5,459 and the movements of other comprehensive income amounting to R$534 million, partially reduced by dividends and interest on capital of R$2,670 million, approved by the Board.

In 2012 was acquired 3,229,618 Units which held in treasury. The balance accumulated of treasury shares on December 31, 2012, amounting to 8,610,418 Units (December 31, 2011 – 5,380,800) equivalent to R$134,371 (December 31, 2011 – R$79,547). The minimum, weighted average and maximum cost per Unit of the total number of treasury shares is, respectively, R$13.80, R$15.61 and R$18.52. In 2011 was acquired and held in treasury 1,732,900 ADRs, in the amount of R$36,191 (December 31, 2011 - R$33,221). The minimum, weighted average and maximum cost per ADR is US$10.21. The market value of these shares on December 31, 2012 was R$14.97 per Unit and US$7.28 per ADR.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

Dividends and Interest on Capital

In 2012, were posted dividends of R$1,650 million, interim dividends of R$491 million based on reserve for dividend equalization and intercalary dividends of R$1.159 million.

Interest on capital of R$1.020 million, wich R$400 million on March, R$170 million at June and R$450 million on December, 2012. The amount of interest on capital and intercalary dividends will be fully attributed to mandatory dividends for fiscal year 2012, the amounts outstanding, R$1,470 million was paid from August 29, 2012 and R$1.200 million will be paid from February 26, 2013, without any compensation to the title of restatement.

Basel Index

Banco Santander regulatory capital is measured based on the Basel II Standardized Approach, as established by Bacen, and considers: (a) Credit Risks – capital requirement portion for exposed assets and credit commitments, both weighted by a risk factor, considering the risk of mitigation through the use of guarantees; (b) Market risks – capital requirement portions for exposures related to the fluctuations in foreign currency interest rates, price indices, and interest rates; the prices of commodities and shares classified in the trading portfolio; and interest rates not classified in the trading portfolio; and (c) Operational risks – requirement of a specific capital portion.

The Basel II ratio, which is calculated in a consolidated manner and reached 20.8%, and, disregarding the effect of goodwill, as determined by the international rule, the index is 17.7%.

Banco Santander, according to Bacen Letter 3.477/2009, quarterly disclose information relating to risk management and Regulatory Capital (PRE). A report with further details of the structure and methodology will be disclosed in the legal deadline, at the website www.santander.com.br/ri.

Analysis of Income by Segment

Banco Santander operates three business segments: Commercial Bank, Global Wholesale Bank and Asset Management and Insurance. The Commercial Banking segment encompasses the entire commercial banking business (except for the Corporate Banking business managed globally using the Global Relationship Model). The Asset Management and Insurance segment includes the contribution to the Bank arising from the design and management of the investment fund, pension and insurance businesses of the various units. The Global Wholesale Banking segment reflects the returns on the Global Corporate Banking business, those on Investment Banking and Markets worldwide, including all treasury departments and the equities business.

On December 31, 2012, the Commercial Bank reached for 47.7% of profit before tax. The Global Wholesale Bank reached 46.0% and Asset Management and Insurance, reached 6.3%.

The profit before tax for the Commercial Banking reached R$2,628 million, the Global Wholesale Bank recorded a profit before tax of R$2,537 milhões and the segment of Asset Management and Insurance had a profit before tax of R$346 million on December 31, 2012.

Results by Segment R$ Million	12.31.12	12.31.11	Annual Change %	3° Quarter of 2012	2° Quarter of 2012	Quarterly Change %
Commercial Bank *	2.628	5.128	-48,8%	8	1.253	99,4%
Global Wholesale Banking	2.537	2.947	-13,9%	542	602	-10,0%
Asset Management and Insurance	346	835	-58,6%	82	73	12,3%
Profit Before Tax	**5.511**	**8.910**	**-38,1%**	**632**	**1.928**	**-67,2%**

(*) Includes in the Commercial Bank, the economic hedge of investment in dollar (a strategy to mitigate the effects of fiscal and exchange rate variation of offshore investments on net income), the result of which is recorded in "Gains (losses) on financial assets and liabilities" fully offset in taxes line. Adjusted for losses amounting to R$ 1,437,250 due to the effects of the devaluation of the Real against the Dollar in 2012, the Profit before Tax for the Commercial Bank segment was R$ 4,064,874.

• Recent Event

Extension of deadline for achieving a minimum (free float) of 25%

On October 9, 2012, Banco Santander informed the market, that the BM&FBovespa S.A. – Bolsa de Valores, Mercadorias e Futuros (BM&FBovespa), had granted its request, and that of its controlling shareholders, to extend the time needed to achieve a minimum free float of 25% to October 7, 2013, extendable for a further year under certain conditions.

As reported by the controlling shareholder, the Banco intends to achieve the difference between the current percentage of outstanding shares and the required minimum, through the sale or delivery of shares issued through private trades with certain qualified investors in the Brazilian market or abroad (including in the form of ADRs) and/or through the issuance of new shares.

• Subsequent Event

Reduction of Santander Leasing S.A. Arrendamento Mercantil (Santander Leasing)

The capital of Santander Leasing was reduced without changing the number of shares issued in the amount of R$5 billion, to be considered excessive to maintain is activities, according to article 173 of Law 6.404/1976 and under the company's Extraordinary General Meeting (EGM), held on January 4, 2013.

Such capital reduction will become effective only: (i) upon approval of the Brazilian Bacen, (ii) 60 days after the release of the minutes of the EGM which deliberated on the capital reduction, without any opposition from creditors, and (iii) after prior approval of the majority of the debenture holders of Santander Leasing.

• Strategy

Banco Santander's strategy is based on the following objectives:

• to be the best Banco in terms of service quality, sustained by the operational efficiency of the technological platform;

• the focus on improving customer services through quality services and infrastructure;

• to intensify the relationship with customers in order to become the Banco of choice of our customers;

• to increase the commercial punch in key segments/products, such as SMEs, card issuers, the acquiring business, mortgages, vehicle financing and insurance;

• to take advantage of products and service cross selling opportunities;

• to continue building and strengthening the Santander brand in Brazil until it becomes one of the TOP 3 financial brands; and

• to maintain prudent risk management.

In Brazil, the Bank's business model, which is distinguished for sharing the best global practices of the Santander Group, is based on five main pillars:

1) Customer oriented;
2) Global brand;
3) Cost efficiency;
4) Prudent risk management; and
5) Solid balance sheet.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

With a BIS Ratio of 20.8%, Banco Santander is the most capitalized bank among the largest retail banks, with comfortable liquidity and coverage levels, and funding and capital independence from controlling shareholder. Thanks to these and other factors, Banco Santander was considered the eleventh most solid Banco in the world and the first in Brazil by Bloomberg Markets Magazine.

As part of the strategy of becoming the best and most efficient Universal Bank in Brazil, several improvements were made, including:

• improvement of credit analysis processes, generating more agility and autonomy in the branch network;

• simplifying documentation processes, thereby speeding up the response to mortgage loans applications; and

• expansion of access channels to Santander Mobile.

All these initiatives are aligned with the Bank's mission: "To be our customers' choice for being the simple and safe, efficient and profitable bank, that constantly seeks to improve the quality of every service, with a team that enjoys working together to conquer everyone's recognition and trust". Some results are already positive – one example being that Banco Santander has significantly improved its position in the Bacen complaints rankings from second place in December 2011 to fifth in December 2012.

Another fact worth mentioning is the recognition of Banco Santander role in sustainability. Its strategy, based on three basic pillars: Social and Financial Inclusion, Education and Management, and Social and Environmental Businesses, gained market recognition in September, when it was elected the greenest company in the "Financial Institution" category and was among the 20 companies with the best environmental practices in the "Prêmio Época Empresa Verde" (Época Green Company Awards), sponsored by Editora Globo. Additionally in October Banco Santander was elected as the greenest company in the world by Newsweek Magazine in the fourth edition (2012) of its "Green Rankings: Global Companies" awards.

• Main Subsidiaries

As of December 31, 2012, Santander Leasing reported total assets of R$52,466 million, a lease and other credits portfolio of R$4,125 million, and stockholders' equity of R$10,248 million. Net income for the exercise of 2012 was R$1.064 million.

As of December 31, 2012, Aymoré Crédito, Financiamento e Investimento S.A. (Aymoré CFI) reported R$31,218 million in total assets, R$26,768 million in lending operations and others credits, and R$1,118 million of stockholder´s equity. The loss for the exercise of 2012 was R$104 million.

As of December 31, 2012, Santander Corretora de Câmbio e Valores Mobiliários S.A. (Santander CCVM) reported total assets of R$766 million and stockholders' equity of R$302 million. Net income for the exercise of 2012 was R$63 million.

As of December 31, 2012, Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A. (Santander Brasil Asset) reported total assets of R$265 million. The stockholders' equity of R$172 million, and net income for the exercise of 2012 was R$55 million. The stockholders' equity of investment funds reached Consolidated R$113,854 million.

As of December 31, 2012, Santander Brasil, Establecimiento Financiero de Credito, S.A. (Santander Brasil EFC) reported total assets of R$2,107 million and stockholders' equity of R$2,018 million. Net income for the exercise of 2012 was R$2.263 thousand.

Balances reported above are in accordance with accounting practices established by Brazilian Corporate Law and standards established by the CMN, the Bacen and document template provided in the Accounting National Financial System Institutions (Cosif) and the CVM, that does not conflict with the rules of Bacen.

Rating Branches

Banco Santander is rated by international ratings agencies and the ratings assigned, as shown in the table below, reflect many factors including management quality, operating performance and financial strength, as well as other factors related to the financial sector and economic environment in which the Company is inserted.

Agency Ratings	Global Scale				National Scale	
	Local Currency		Foreign Currency		National	
	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
Fitch Ratings (Perspective)	**BBB** (negative)	**F2**	**BBB** (negative)	**F2**	**AAA (bra)** (negative)	**F1+ (bra)**
Standard & Poor's (Perspective)	**BBB** (estable)	**A-2**	**BBB** (estable)	**A-2**	**brAAA** (estable)	**brA-1**
Moody's (Perspective)	**Baa1** (estable)	**Prime-2**	**Baa2** (positive)	**Prime-2**	**Aaa.br** (estable)	**Br-1**

Ratings assigned according published reports of the Rating agencies: Fitch Ratings (December 20, 2012); Standard & Poor's (December 18, 2012) and Moody's (June 27, 2012).

• Corporate Governance

In 2012, meetings were held with the Advisory Committees of the Board of Directors of Banco Santander which comprises: Audit Committee; Risk Committee; Corporate Governance and Sustainability Committee, and Compensation and Nomination Committee, underlining the Company's best corporate governance practices.

On October 24, 2012, the Banco Board of Directors appointed the members and coordinator of the Risk Committee of the Banco and approved an amendment to its procedural rules, thereby ensuring a more robust corporate governance system in line with best practices.

The Board also monitored the implementation of the action plans arising from its assessment in the previous quarter.

On December 19, 2012, the Board of Directors approved the proposal for the granting of "Deferred Bonus Plans" for 2012, to executive officers, managers and others employees of the Banco and companies under its control; the Banco Santander's Calendar of Corporate Events for 2013; and the election of the new members of the Banco Board of Executive Officers – Mr. Manoel Marcos Madureira, as Executive Officer, and Mrs. Ana Paula Nader Alfaya, Mr. Carlos Alberto Seiji Nomoto, Mr. Fernando Díaz Roldán and Mr. Nilton Sergio Silveira Carvalho as Officers without portfolio.

In December 21, 2012, it was homologated by the Brazilian Bacen, the election procedures of the new members of the Board of Directors: Mrs. Marília Artimonte Rocca, who accomplished the qualifications of an Independent Counselor and Mr. Conrado Engel, who is, today, Senior Executive Vice-President Officer at the Banco, responsible for the Retail Segment.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

• Risk Management

1. Corporate Governance of the Risk Function

The structure of Banco Santander Risk Committee is defined in accordance with the highest standards of prudent management and client vision, together with the Santander Group (Spain):

• to aprove the proposals and operations and limitations of clients and portfolio;

• to authorize the use of local management tools and risk models and to be familiar with the result of their internal validation;

• to guarantee Banco Santander's activities are consistent with the risk tolerance level previously approved by the Executive Committee and by Santander Group (Spain); and

• to be aware of, assess and adhere to any timely observations and recommendations that come to be made by the supervisory authorities in the fulfillment of their duties.

The Executive Risk Committee has delegated some of its prerogatives to the Risk Committees, which are structured according to business, type and sector.

The risk function at Banco Santander is executed by the Executive Vice-Presidency of Risk, which is independent from the business areas, both from a functional and hierarchical point of view, and reports directly to the CEO of Banco Santander and to the head of the Santander Group (Spain) risk department.

The Executive Vice-Presidency of Risk is divded into areas with two types of approach:

• methodology and control, which adapts the policies, methodologies and the risk control systems; and

• business risk, focused on risk management and the establishment of risk policies for each business operation conducted by Banco Santander in Brazil.

2. Structure of Capital Management

The goal is to achieve an efficient capital structure, meeting the regulatory requirements and contributing to reach the goals regarding the classification of rating branches.

The capital management including securitization, sale of assets, raising capital through shares issues, subordinated debt and hybrid instruments. Risk management seeks to optimize value creation in the Banco Santander and the different business units. To this end, capital management, Return on Risk Adjusted Capital (RORAC) and the creation of data values for each business unit are generated. The Banco Santander uses a measurement model of economic capital in order to ensure it has enough capital available to support the risks of economic activity in different scenarios, with solvency levels agreed by the Group.

Projections of economic and regulatory capital are made based on financial projections (Balance Sheet, Income Statements, etc.) and macroeconomic scenarios estimated by the economic research service of the Financial Management area. The economic capital models are essentially designed to generate risk-sensitive estimates with two goals in mind: more precision in risk management and allocation of economic capital to various units of Banco Santander.

3. Credit Risk

Credit risk is the exposure to loss in the case of total or partial default by customers or counterparties in the fulfillment of their financial obligations to Banco Santander. Credit risk management seeks to establish strategies, besides setting limits, including the analysis of exposure and trends and the effectiveness of credit policies. The aim is to maintain a risk profile and adequate minimum profitability which compensates for the estimated default risk of customers and portfolios, as established by the Executive Committee.

The role of the credit and market risk department is to develop policies and strategies for credit risk management in accordance with the risk appetite determined by the Executive Committee.

Additionally, it is responsible for the control and monitoring system used in credit and market risk management. These systems and processes are applied in the identification, measurement, control and reduction of exposure to credit risk in individual operations or those grouped together by similarity.

4. Market Risk

Market risk is the exposure to risk factors including interest rates, exchange rates, stock market prices and other values, according to the type of product, the volume of operations, the terms and conditions of the agreement and underlying volatility. Market risk management includes practices of measuring and monitoring the use of limits that are pre-set by internal committees, of the value at risk of the portfolios, of sensitivity to fluctuating interest rates, of exposure to foreign exchange rates, and of liquidity gaps, among other practices which the control and monitoring of the risks which may affect the position of Banco Santander portfolios in the different markets in which the Bank operates.

Risk management at Banco Santander is based on the following principles:

• independence from the risk function in relation to business;

• effective participation of management in decision-making;

• a consensus between the risk and business departments on decisions involving credit operations;

• collegiate decision-making, including the branch network, thereby promoting the existence of different points of view and avoiding decisions being made by individuals;

• the use of statistical tools for estimating default including internal rating, credit scoring and behavior scoring, RORAC, VaR (Value at Risk), economic capital, scenario assessment, among others;

• global approach, including the integrated treatment of risk factors in the business departments and the use of the concept of economic capital as a consistent metric for assumed risk and for assessing management;

• the retention of a predictable profile with conservative risk (medium/low) and low volatility in relation to credit and market risks. This is done by diversifying the portfolio, limiting the concentrations of customers, groups, sectors or geographic regions, reducing the complexity level of market operations, the social and environmental risk analysis of business and projects financed by the Bank, and continuous monitoring to prevent the portfolios from deteriorating; and

• the definition of policies and procedures that comprise the corporate risk framework, by means of which risk activities and processes are regulated.

5. Social and Environmental Risk

The Environmental Risk Practice of Banco Santander is now applicable for the Wholesale Banco, besides the lending, which provides analysis of social and environmental risk standards in the credit approval process. The area of Environmental Risk analyzes the environmental management of its clients, checking items such as contaminated areas, deforestation, labor violations and other problems, in which there is a risk of penalties.

A specialized team, with background in Biology, Health and Safety Engineering and Chemical Engineering, monitors the environmental practices of our corporate clients, while our financial analysis team studies the potential damage and impacts that adverse social and environmental situations may cause to the financial condition and to the customers guarantees, among other effects. Our experience shows that the company which cares about well-being of its employees and the environment in which it operates tends to have a more efficient management. Thus, it is more likely to honor their commitments and develop good businesses.

6. Operational Risk Management, Internal Controls - Oxley Act and Internal Audit

Banco Santander's corporative areas, responsible for technological and operational risk management and Internal controls are subordinate to different Vice-Presidents, with structures, procedures, methodologies, tools and specific internal models guaranteed through an appropriate managerial model permitting the identification, capture, assessment, control, monitoring, mitigation and reduction of operational risk events and losses. In addition, the management and prevention of operational and technological risks, the continuity of the business and the continuous strengthening of the internal control system, meets the requirements of the regulators, the New Basel Accord - BIS II (as regulated by the Bacen), and the Sarbanes-Oxley Act (SOX). It is also aligned with the guidelines set forth by Banco Santander Spain, which are based on the COSO - Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management – Integrated Framework.

The procedures developed and adopted are intended to ensure Banco Santander's continuing presence among the select group of financial institutions recognized as having the best operational risk management practices, thereby helping to continuously improve its reputation, solidity and reliability in the local and international markets.

Management is an acting party, aligned with the mission of the areas, recognizing, participating and sharing responsibility for the continuous improvement of the operational and technological risk management culture and structure, as well of the internal control system, in order to ensure compliance with the established objectives and goals, as well as the security and quality of the products and services provided.

Banco Santander's Board of Directors opted to adopt the Alternative Standardized Approach (ASA) to calculate the installment of PRE related to operational risk.

The 2011 review of the effectiveness of internal controls in the Banco Santander companies, in accordance with section 404 of the Sarbanes-Oxley Act, was concluded in March 2012 and found no evidence of any material issues.

Additional information on the management models, can be found in the annual and social reports at: www.santander.com.br/ri.

Internal Audit depends directly on the Board of Directors, whose activities are supervised by the Audit Committee. Internal Audit's objective is to supervise the compliance, efficiency and effectiveness of internal control systems, as well as the reliability and quality of accounting information. Thus, all Banco Santander's companies, business units, departments and core services are under its scope of application.

During 2012, the Audit Committee and the Board of Directors were informed on Internal Audit's works, as per its annual planning. The Audit Committee's 2012 meeting approved the internal audit work plan and activity report for the year.

In order to perform its duties and reduce coverage risks inherent to Santander's activities, the Internal Audit area has internally-developed tools updated whenever necessary. Among these tools, it is worth mentioning the risk matrix, for it is used as a planning tool, prioritizing each unit's risk level, based on its inherent risks, audit's last rating, level of compliance with recommendations, size, quality of credit portfolio, etc.

In addition, work programs - which describe future audit tests - are revised annually for compliance with the requirements. Throughout 2012, internal control procedures and controls on information systems pertaining to units under analysis were assessed, taking into account their conception efficiency and performance.

• People

For Banco Santander ensure the preference of its clients, it is essential to put the utmost value on its main asset: People. Since its employees are the strongest link between the Bank and its clients, it is continuously fine-tuning its management practices and processes so that they remain fully motivated and fulfill all their potential.

Banco Santander seeks to ensure that its professionals identify with the Organization and share its values, in the belief that their dedication is crucial for the consolidation and dissemination of its differentials. Consequently, in addition to offering and encouraging a participatory and collaborative working environment, it prepares its teams so way that they have various career and development possibilities. Thanks to a series of local and international programs and opportunities, employees are always alert to new opportunities and challenges.

Some of Banco Santander's initiatives for supporting the personal and professional growth of its People are listed below:

• **Career Opportunities and Recognition:** preparing its employees and interns for various career and development possibilities. It offers local and international development programs and encourages mobility between different areas and countries and identifies the progress of each individual through transparent and objective assessment procedures, merit-based compensation and non-financial recognition;

• **People Appreciation:** valuing its People outside the professional area by recognizing their social and family needs. It offers opportunities and benefits geared towards the complete individual, such as the Specialized Personal Support Program (PAPE), as well as more segmented solutions, aimed at ensuring a better working, home and social life;

• **Continuous Managerial Development:** Banco Santander's managers are the strongest link between the Organization and its professionals. They are therefore subject to continuous development programs to ensure their alignment with the Bank's strategy and proposal and that they inspire their teams and promote their advancement in the pursuit of excellence, thereby generating results for shareholders, clients, employees and society as a whole;

• **Encouraging Innovation:** encouraging its professionals to always look ahead, trying to glimpse hitherto unseen horizons in order to improve client service and generate efficiency. Best practices are shared on a daily basis and ideas are highly valued;

• **Participatory and Collaborative Environment:** there is ample room for employees to question, discuss and suggest new ways of doing things in a participatory and collaborative manner within a multicultural and multigenerational environment. The Bank's relationships are based on transparency and trust in order to promote teamwork and self-esteem. Thus everyone progresses and teams mesh, allowing the Bank to evolve and innovate; and

• **Being Part of a World Class Company:** with a differentiated proposal as an employer, a talented team with the best professionals in the market, and an increasingly strong brand, Banco Santander has many reasons to be proud. International tradition, a global presence and local recognition are underlined by its 155 years of history, 190 thousand employees worldwide, 54 thousand in Brazil alone, and more than 100 million clients.

• Sustainable Development

In the year in which Santander Microcrédito Assessoria Financeira S.A. (Microcrédito) completed a decade of operations, its financial results were also a cause for celebration: in 2012 through September, the active portfolio totaled R$216.8 million, 38% up on the same period in 2011. By the end of the third quarter, we had disbursed R$309 million to small entrepreneurs.

In December, the first of ten wind farms in which Banco Santander maintains an interest in Brazil was inaugurated in the state of Ceará. We are the only Banco in the Brazilian market that invests directly in wind power projects.

November saw the announcement of the 21 winners of the 8th edition of the Prêmios Santander Universidades de Ciência e Inovação, Empreendedorismo, Universidade Solidária e Guia do Estudante – Destaques do Ano (Santander Universities of Science and Innovation, Entrepreneurship, Solidarity University and Student Guide Awards – Highlights of the Year). All in all, Santander Universidades distributed more than R$1 million in financial support and international scholarships. There were 10,252

In addition, Santander Universidades, with the support of Universia, launched a pioneering initiative. In 2012, we invited professors of Economics and Business Administration from all over Brazil to participate in the Santander Educational Practices for Sustainability in order to insert sustainability into the classroom. More than 250 people took part and six finalists presented their proposals at an event in São Paulo.

In its 2012 edition, the Programa Amigo de Valor (Valued Friend Program) raised R$10 million, a new record. More than 39,000 employees, interns and clients took part. The funds will be allocated to projects that will benefit children and teenagers in 47 Brazilian municipalities.

(Amounts in thousands of Brazilian Reais - R$, unless otherwise stated)

• Corporate Restructuring

We implemented various social movements in order to reorganize the operations and activities of entities according to the business plan of the Banco Santander:

a) Constitution Foreign Subsidiary

Banco Santander established an independent subsidiary in Spain, Santander Brasil EFC, in order to complement the foreign trade strategy allowing to provide financial products and services for corporate clients - large Brazilian companies and their operations abroad - and offer financial products and services through an offshore entity that is not established in a jurisdiction with favorable tax treatment.

The approval process for the foreing subsidiary before the regulatory bodies (Bacen, Ministerio de Economia y Hacienda of Spain and Banco de Espanã) was completed on March 28, 2012. The payment the share capital of the subsidiary, was held in the amount of €748 million.

b) Segregation of equity investments of the temporary nature and of the investments in companies that provide services complementary to those provided by financial institutions.

Aiming to segregate the equity investments of a temporary nature (private equity) and equity interests in entities that provide complementary services to the financial services Banco Santander, were made the following acts:

• Partial spin-off of Santander Participações S.A. (Santander Participações, current corporate name of Santander Advisory Services S.A.), based version of the spun-off assets to Santander S.A. Serviços Técnicos, Administrativos e de Corretagem de Seguros (Santander Serviços) (Partial Spin-Off), approved by shareholders in the meeting held on December 31, 2012. The spun-off assets corresponded to investments in Santander Serviços and Webmotors S.A. The Partial Spin-off took place through the transfer of net assets of Santander Participações to the capital of Santander Serviços, based on the audited balance sheet on the November 30, 2012. Equity changes that occur between the base date of such balance sheet and the execution of the Partial Spin-off were recognized and recorded directly into Santander Serviços;

• Capital increase in Santander Serviços on December 31, 2012 in the amounts of R$371 million, with the issuance of 113,803,680,982 common shares, fully subscribed and paid by Santusa Holding, S.L. (Santusa) in Spain investment company controlled by Banco Santander Spain. After such transaction, Santander Serviços capital stock to be owned by Banco Santander and Santusa, in the proportion of 60.65% and 39.35%, respectively; e

• Acquisition by Santander Serviços shares of the company Tecnologia Bancária S.A. - Tecban (Tecban) held by Santusa as Sale and Purchase Agreement entered into between the parties on January 21, 2013. The acquisition, corresponding to 20.82% of the share capital of Tecban, is subject to authorization by the Bacen pursuant to Resolution 4.062/2012.

c) Incorporation of Santander Administradora de Consórcios Ltda (Santander Consórcios) by Santander Brasil Administradora de Consórcio (Santander Brasil Consórcio)

At meetings held on July 25, 2012, the Board of Directors of Santander Consórcios and Santander Brasil Consórcio agreed and decided to submit for approval from their respective partners, the incorporation propose of Santander Consórcios (Incorporated) by Santander Brasil Consórcio (Incorporator) (Incorporation) which was approved at meeting of the Partners Incorporated and Incorporator on July 31, 2012.

The merger will give through the transfer of the net book value of incorporated for the equity of the incorporator, based on the audited balance sheet at June 30, 2012. The equity variations occurred between the base date of that balance sheet and the effectiveness of the incorporation (the date of the Contract Amendment) will be recognized and recorded directly on the incorporator.

On November 30, 2012 this process of incorporation was approved by the Bacen.

d) Sale Process of Zurich Santander Brasil Seguros e Previdência S.A. (New corporate name of Santander Seguros S.A.)

Based on the approval issued by Superintendence of Private Insurance (Susep) on August 23, 2011, on October 5, 2011 was held the closing of the sale (the Transaction), by Banco Santander (Brasil) S.A. of all shares issued by Zurich Santander Brasil Seguros e Previdência S.A. and indirectly of Zurich Santander Brasil Seguros S.A. (new corporate name of Santander Brasil Seguros S.A.), for (i) Zurich Santander Holding (Spain), SL (Zurich Santander), a holding company based in Spain held 51% (fifty one percent) by the Zurich Financial Services Ltd. and its affiliates (Zurich) and 49% (forty nine percent) by Banco Santander S.A. (Banco Santander Spain), and (ii) Inversiones ZS America SPA, a company established in Chile and held by Zurich Santander (Inversiones ZS).

Referred closing understood the actual transfer, (i) by Banco Santander to Zurich Santander of 11,251,174,948 common shares of Zurich Santander Brasil Seguros e Previdência S.A., and to Inversiones ZS of 3 common shares of Zurich Santander Brasil Seguros e Previdência S.A., and payment of the purchase sale price preliminary to Banco Santander, net amounts R$2,741 million (received on October 5, 2011). The assets of Zurich Santander Brasil Seguros e Previdência S.A. amounts R$24,731 million, main represented by R$21,551 million of debts instruments and equity (public securities, private and fund units specially constituted - guarantors of benefit plans - PGBL / VGBL). The liabilities of Zurich Santander Brasil Seguros e Previdência S.A. amounts R$22,349 million, main represented by R$21,279 million of liabilities for securities agreements - technical provision for insurance operations and pension plans. The income recognized in this operation was R$649 million, recorded as a result on disposal of non-current assets held for sale not classified as discontinued operations. On June 8, 2012 Susep approved the transfer of the direct control of Zurich Santander Brasil Seguros e Previdência S.A. to Zurich Santander Holding (Espanha), S.L., a holding company based in Spain, 100% held by Zurich Santander, and that is currently the owner of the shares initially transferred to Zurich Santander.

The final sale and purchase price based on the balance sheet to be specially prepared by Zurich Santander Brasil Seguros e Previdência S.A. for the period ended September 30, 2011 released at the first half of 2012 and the price adjustment mechanisms expressly provided for in the Purchase and Sale Agreement dated July 14, 2011, and once set, Banco Santander will disclose it to the general public and make the offering of preemptive rights to shareholders, in accordance with Article 253 of Law 6.404/1976.

The transaction fits into the context of the strategic partnership between Santander Spain and Zurich, involving the acquisition by Zurich Santander, all property and casualty insurers and life and welfare of Santander Spain in Argentina, Brazil, Chile, Mexico and Uruguay.

As part of the arrangement of the transaction, Banco Santander exclusively distribute the insurance products during 25 years, through its network branch, with the exception of automobile insurance not included in the scope in the arrangement of the transaction. As a result of these contracts, Banco Santander receive a relative payment equivalent to the received before the transaction.

The operation aims to promote and strengthen Banco Santander activities in the insurance market, providing a greater range of products, including classes of customers not currently exploited and leveraging the distribution capabilities of Banco Santander, among others.

e) Partial Spin-off version with Zurich Santander Brasil Seguros e Previdência S.A. separated part for Sancap Investimentos e Participações S.A (Sancap)

In the context of sale transaction of Zurich Santander Brasil Seguros e Previdência S.A., at the EGM held on April 29, 2011, was approved the Partial spin-off of Zurich Santander Brasil Seguros e Previdência S.A. with the transfer of its equity to a new company, constituted in the act of the partial spin-off, under the company name of Sancap. The spun-off assets to Sancap is total amounting of R$512 million and refers only and exclusively to the totality of the participation held by Zurich Santander Brasil Seguros e Previdência S.A. on Santander Capitalização's S.A. (Santander Capitalização) capital. The partial spin-off was approved by Susep on August 9, 2011.

f) Others Corporate Movements.

We also performed the following corporate actions:

• Constitution of “Atual Companhia Securitizadora de Créditos Financeiros”, under the meeting held on September 28, 2012, which aims at the acquisition of exclusive social credits from lending operations, financing and leasing;

• Opening capital of Companhia de Crédito, Financiamento e Investimento RCI Brasil (CFI RCI Brasil) in the category “B”, pursuant to the EGM held on August 30, 2012, whose record was obtained with the CVM on November 27,2012;

• Incorporation of all shares of issue Companhia de Arrendamento Mercantil RCI Brasil (RCI Brasil Leasing) by CFI RCI Brasil, on May 31, 2012, so that RCI Brasil Leasing became a wholly owned subsidiary of CFI RCI Brasil. On August 28, 2012 this process was approved by the Bacen; and

• Partial spin-off of CRV Distribuidora da TÍtulos e Valores Mobiliários S.A (CRV DTVM) with the version of the splited portion of Santander Participações on August 31, 2011, being that the split portion was referring solely to the entire interest held by CRV DTVM on the capital of Santander Securities (Brasil) Corretora de Valores Mobiliários S.A. (Santander Securities). On the same date, Santander Securities was acquired by Santander Participações. On January 23, 2012 this process was approved by the Bacen.

•Other Information

It is part of Banco Santander´s policy to restrict the services provided by the 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, we hereby inform that during in the years 2012, there hasn´t been any contract for non-audit services from Deloitte Touche Tohmatsu Auditores, which cumulatively represent more than 5% of the related overall consideration.

São Paulo, March 28, 2013

The Board of Directors
The Executive

(Adopted at the Meeting of the Board of 03/27/2013).

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BANCO SANTANDER (BRASIL) S.A.
CONSOLIDATED FINANCIAL STATEMENTS

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

INDEPENDENT AUDITORS' REPORT

To the Management and Shareholders of
Banco Santander (Brasil) S.A.
São Paulo - SP

We have examined the consolidated financial statements of Banco Santander (Brasil) S.A. and subsidiaries ("Bank"), consisting of the consolidated balance sheet as of December 31, 2012 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and a summary of the significant accounting practices and other notes to the financial statements.

Management's responsibility for the consolidated financial statements

The Bank's Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB, and for the internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit, which was conducted in accordance with Brazilian and international standards on auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing selected procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to in paragraph 1 present fairly, in all material respects, the consolidated financial position of Banco Santander (Brasil) S.A. and subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for the year then ended, in conformity with International Financial Reporting Standards - IFRS as issued by the International Accounting Standards Board - IASB.

Other matters

Statements of value added

We have also examined the consolidated statement of value added ("DVA") included in the note 42.j) as supplemental information for the year ended December 31, 2012, prepared under the responsibility of the Bank's management, whose presentation by publicly-held companies is required by Brazilian Corporate Law, and as supplemental information for IFRS that does not require a presentation of DVA. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

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

São Paulo, March 27, 2013

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Gilberto Bizerra de Souza
Engagement Partner

2011-2616

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Santander

BANCO SANTANDER (BRASIL) S.A.
CONSOLIDATED BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(Thousands of Brazilian Reais - R$)

ASSETS	Note	2012	2011	2010
CASH AND BALANCES WITH THE BRAZILIAN CENTRAL BANK	4	55,535,240	65,938,003	56,800,151
FINANCIAL ASSETS HELD FOR TRADING		31,638,268	29,901,495	24,821,365
Loans and amounts due from credit institutions	5	-	-	47,662
Debt instruments	6	26,646,708	25,298,804	16,472,413
Equity instruments	7	428,589	448,209	3,283,931
Trading derivatives	8	4,562,971	4,154,482	5,017,359
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		1,228,318	665,369	17,939,781
Loans and amounts due from credit institutions	5	5,065	60,813	292,034
Debt instruments	6	124,187	230,037	224,388
Equity instruments	7	1,099,066	374,519	17,423,359
AVAILABLE-FOR-SALE FINANCIAL ASSETS		44,148,620	44,608,201	47,206,019
Debt instruments	6	43,044,570	43,300,354	45,477,982
Equity instruments	7	1,104,050	1,307,847	1,728,037
LOANS AND RECEIVABLES		226,957,041	202,757,191	174,106,525
Loans and amounts due from credit institutions	5	29,913,132	19,628,861	22,658,520
Loans and advances to customers	9	196,774,297	183,066,268	151,366,561
Debt instruments	6	269,612	62,062	81,444
HEDGING DERIVATIVES	8	156,164	80,708	115,640
NON-CURRENT ASSETS HELD FOR SALE	10	165,710	132,388	66,821
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES	11	472,093	422,225	370,586
TANGIBLE ASSETS	12	5,938,228	5,008,306	4,518,109
INTANGIBLE ASSETS		32,020,323	31,435,080	31,962,619
Goodwill	13	27,217,565	27,217,565	28,312,236
Other intangible assets	14	4,802,758	4,217,515	3,650,383
TAX ASSETS		19,881,425	16,250,373	14,842,066
Current		3,538,238	2,077,224	1,217,186
Deferred	23	16,343,187	14,173,149	13,624,880
OTHER ASSETS	15	2,943,533	2,686,743	1,913,001
TOTAL ASSETS		**421,084,963**	**399,886,082**	**374,662,683**

* For a better disclosure, are being released compared the Balance Sheet of the last two years, even without any adjustments or retrospective restatement of previously disclosed information.

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

Santander

BANCO SANTANDER (BRASIL) S.A.
CONSOLIDATED BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(Thousands of Brazilian Reais - R$)

LIABILITIES AND EQUITY	Note	2012	2011	2010
FINANCIAL LIABILITIES HELD FOR TRADING		5,351,736	5,047,288	4,784,653
Trading derivatives	8	5,111,553	4,709,660	4,755,314
Short positions		240,183	337,628	29,339
FINANCIAL LIABILITIES AT AMORTISED COST		306,976,206	291,451,686	253,340,771
Deposits from Central Bank and deposits from credit institutions	16	35,073,626	51,527,021	42,391,572
Customer deposits	17	188,594,930	174,473,891	167,949,201
Marketable debt securities	18	54,012,018	38,590,423	20,086,645
Subordinated liabilities	19	11,919,151	10,908,344	9,695,105
Other financial liabilities	20	17,376,481	15,952,007	13,218,248
HEDGING DERIVATIVES	8	281,545	36,071	112
LIABILITIES FOR INSURANCE CONTRACTS	21	-	-	19,643,129
PROVISIONS	22	8,822,081	9,515,295	9,395,161
Provisions for pensions funds and similar obligations		1,307,815	1,246,040	1,190,108
Provisions, judicial and administrative proceedings, commitments and other provisions		7,514,266	8,269,255	8,205,053
TAX LIABILITIES		13,784,464	11,875,899	10,529,625
Current		10,219,083	8,127,795	6,249,466
Deferred	23	3,565,381	3,748,104	4,280,159
OTHER LIABILITIES	24	4,302,820	3,927,851	3,605,838
TOTAL LIABILITIES		**339,518,852**	**321,854,090**	**301,299,289**
SHAREHOLDERS' EQUITY	27	79,814,735	77,044,886	72,571,563
Share capital		62,634,585	62,634,585	62,634,585
Reserves		14,572,052	9,950,144	6,094,885
Treasury shares		(170,562)	(112,768)	-
Profit for the year attributable to the Parent		5,448,660	7,747,925	7,382,093
Less: dividends and remuneration		(2,670,000)	(3,175,000)	(3,540,000)
OTHER COMPREHENSIVE INCOME		1,502,116	968,146	783,755
NON-CONTROLLING INTERESTS	26	249,260	18,960	8,076
TOTAL EQUITY		**81,566,111**	**78,031,992**	**73,363,394**
TOTAL LIABILITIES AND EQUITY		**421,084,963**	**399,886,082**	**374,662,683**

* For a better disclosure, are being released compared the Balance Sheet of the last two years, even without any adjustments or retrospective restatement of previously disclosed information.

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

Santander

BANCO SANTANDER (BRASIL) S.A.

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

(Thousands of Brazilian Reais - R$, except for per share data)

	Note	2012	2011	2010
Interest and similar income	30	52,660,682	51,736,080	40,909,204
Interest expense and similar charges	31	(20,968,812)	(23,834,316)	(16,814,126)
NET INTEREST INCOME		**31,691,870**	**27,901,764**	**24,095,078**
Income from equity instruments	32	93,736	93,727	51,721
Income from companies accounted for by the equity method	11	73,322	54,216	43,942
Fee and commission income	33	9,754,411	8,769,170	7,833,293
Fee and commission expense	34	(2,000,985)	(1,429,672)	(997,785)
Gains (losses) on financial assets and liabilities (net)	35	(548,206)	(113,659)	1,458,150
Financial assets held for trading		(1,456,274)	(902,167)	1,159,058
Other financial instruments at fair value through profit or loss		238,208	57,039	(26,828)
Financial instruments not measured at fair value through profit or loss		655,983	705,279	254,162
Other		13,877	26,190	71,758
Exchange differences (net)	36	378,032	(121,364)	416,900
Other operating income (expense)	37	(624,991)	(379,418)	(347,999)
TOTAL INCOME		**38,817,189**	**34,774,764**	**32,553,300**
Administrative expenses		(13,203,648)	(12,372,632)	(11,230,602)
Personnel expenses	38	(7,126,786)	(6,643,731)	(5,926,176)
Other administrative expenses	39	(6,076,862)	(5,728,901)	(5,304,426)
Depreciation and amortization		(1,831,100)	(1,462,034)	(1,237,410)
Tangible assets	12	(724,990)	(570,132)	(487,626)
Intangible assets	14	(1,106,110)	(891,902)	(749,784)
Provisions (net)	22.b	(2,206,528)	(3,061,463)	(1,974,326)
Impairment losses on financial assets (net)		(16,475,615)	(9,381,549)	(8,233,810)
Loans and receivables	9.c	(16,475,615)	(9,381,549)	(8,232,912)
Other financial instruments not measured at fair value through profit or loss		-	-	(898)
Impairment losses on other assets (net)		(38,352)	(38,646)	(20,600)
Other intangible assets	14	11,280	(17,070)	(813)
Other assets		(49,632)	(21,576)	(19,787)
Gains (losses) on disposal of assets not classified as non-current assets held for sale	40	501,006	5,320	(59,186)
Gains (losses) on disposal and expenses of non-current assets held for sale not classifi	41	(52,201)	446,776	199,137
OPERATING PROFIT BEFORE TAX		**5,510,751**	**8,910,536**	**9,996,503**
Income taxes	23	(51,473)	(1,154,683)	(2,613,929)
CONSOLIDATED PROFIT FOR THE YEAR		**5,459,278**	**7,755,853**	**7,382,574**
Profit attributable to the Parent		5,448,660	7,747,925	7,382,093
Profit attributable to non-controlling interests	26	10,618	7,928	481
EARNINGS PER SHARE (Brazilian Reais)	**28**			
Basic earning per 1,000 share (Brazilian Reais - R$)				
Common shares		13.08	18.55	17.67
Preferred shares		14.39	20.41	19.44
Diluted earning per 1,000 share (Brazilian Reais - R$)				
Common shares		13.07	18.55	17.67
Preferred shares		14.38	20.41	19.44
Net profit attributable - basic (Brazilian Reais - R$)				
Common shares		2,776,769	3,948,342	3,761,914
Preferred shares		2,671,891	3,799,583	3,620,179
Net profit attributable - diluted (Brazilian Reais - R$)				
Common shares		2,776,737	3,948,342	3,761,914
Preferred shares		2,671,923	3,799,583	3,620,179
Weighted average shares outstanding (in thousands) - basic				
Common shares		212,319,478	212,841,732	212,841,732
Preferred shares		185,727,487	186,202,385	186,202,385
Weighted average shares outstanding (in thousands) - diluted				
Common shares		212,447,333	212,841,732	212,841,732
Preferred shares		185,843,719	186,202,385	186,202,385

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

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BANCO SANTANDER (BRASIL) S.A.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(Thousands of Brazilian Reais - R$)

	2012	2011	2010
CONSOLIDATED PROFIT FOR THE YEAR	**5,459,278**	**7,755,853**	**7,382,574**
OTHER RECOGNIZED INCOME AND EXPENSE	**533,970**	**184,391**	**224,713**
Available-for-sale financial assets	1,321,006	102,092	328,349
Valuation adjustments	1,976,989	807,371	582,511
Amounts transferred to income statement	(655,983)	(705,279)	(254,162)
Cash flow hedges	(468,043)	276,752	121,335
Valuation adjustments	(467,880)	15,149	121,335
Amounts transferred to income statement	(163)	261,603	-
Investment hedges	(303,410)	-	-
Exchange rate of investees located abroad	303,410	-	-
Income taxes	(318,993)	(194,453)	(224,971)
TOTAL RECOGNIZED INCOME AND EXPENSE	**5,993,248**	**7,940,244**	**7,607,287**
Attributable to the Parent	5,982,630	7,932,316	7,606,806
Attributable to non-controlling interests	10,618	7,928	481
TOTAL	**5,993,248**	**7,940,244**	**7,607,287**

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

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BANCO SANTANDER (BRASIL) S.A.

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

(Thousands of Brazilian Reais - R$)

		Equity Attributable to the Parent											
								Other Comprehensive Income					
	Note	Share Capital	Reserves	Treasury Shares	Profit Attributed to the Parent	Dividends and Remuneration	Total Shareholders' Equity	Available-for-sale	Translation adjustments investment abroad	Gains and losses - Cash flow hedge and Investment	Total	Non-controlling Interests	Total Equity
Balances at December 31, 2009		**62,612,455**	**2,161,302**	**-**	**5,507,606**	**(1,575,000)**	**68,706,363**	**791,966**	**-**	**(232,924)**	**69,265,405**	**1,338**	**69,266,743**
Total recognized income and expense		**-**	**-**	**-**	**7,382,093**	**-**	**7,382,093**	**157,631**	**-**	**67,082**	**7,606,806**	**481**	**7,607,287**
Other changes in Equity													
Appropriation of profit for the year		-	5,507,606	-	(5,507,606)	-	**-**	**-**	**-**	**-**	**-**	-	**-**
Dividends and interest on capital	27.b	-	(1,575,000)	-	-	(1,965,000)	**(3,540,000)**	**-**	**-**	**-**	**(3,540,000)**	-	**(3,540,000)**
Capital increase	27.a	22,130	(22,130)	-	-	-	**-**	**-**	**-**	**-**	**-**	-	**-**
Share based payments	38.b	-	20,976	-	-	-	**20,976**	**-**	**-**	**-**	**20,976**	-	**20,976**
Other		-	2,131	-	-	-	**2,131**	**-**	**-**	**-**	**2,131**	6,257	**8,388**
Balances at December 31, 2010		**62,634,585**	**6,094,885**	**-**	**7,382,093**	**(3,540,000)**	**72,571,563**	**949,597**	**-**	**(165,842)**	**73,355,318**	**8,076**	**73,363,394**
Total recognized income and expense		**-**	**-**	**-**	**7,747,925**	**-**	**7,747,925**	**10,602**	**-**	**173,789**	**7,932,316**	**7,928**	**7,940,244**
Other changes in Equity													
Appropriation of profit for the year		**-**	7,382,093	-	(7,382,093)	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends and interest on capital	27.b	**-**	(3,540,000)	-	-	365,000	**(3,175,000)**	**-**	**-**	**-**	**(3,175,000)**	**-**	**(3,175,000)**
Share based payments	38.b	**-**	13,153	**-**	**-**	-	**13,153**	**-**	**-**	**-**	**13,153**	**-**	**13,153**
Treasury shares	27.d	**-**	-	(112,768)	-	-	**(112,768)**	**-**	**-**	**-**	**(112,768)**	**-**	**(112,768)**
Results of treasury shares	27.d	**-**	13	-	-	-	**13**	**-**	**-**	**-**	**13**	**-**	**13**
Other		**-**	-	**-**	**-**	-	**-**	**-**	**-**	**-**	**-**	2,956	**2,956**
Balances at December 31, 2011		**62,634,585**	**9,950,144**	**(112,768)**	**7,747,925**	**(3,175,000)**	**77,044,886**	**960,199**	**-**	**7,947**	**78,013,032**	**18,960**	**78,031,992**
Total recognized income and expense		**-**	**-**	**-**	**5,448,660**	**-**	**5,448,660**	**808,440**	**182,046**	**(456,516)**	**5,982,630**	**10,618**	**5,993,248**
Other Changes in Equity													
Appropriation of net profit		**-**	7,747,925	-	(7,747,925)	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends and interest on capital	27.b	**-**	(3,175,000)	-	-	505,000	**(2,670,000)**	-	-	-	**(2,670,000)**	-	**(2,670,000)**
Share based payments	38.b	**-**	49,611	-	-	-	**49,611**	-	-	-	**49,611**	-	**49,611**
Treasury shares	27.d	**-**	-	(57,794)	-	-	**(57,794)**	-	-	-	**(57,794)**	-	**(57,794)**
Treasury shares income	27.d	**-**	(41)	-	-	-	**(41)**	-	-	-	**(41)**	-	**(41)**
Other		**-**	(587)	-	-	-	**(587)**	-	-	-	**(587)**	219,682	**219,095**
Balances at December 31, 2012		**62,634,585**	**14,572,052**	**(170,562)**	**5,448,660**	**(2,670,000)**	**79,814,735**	**1,768,639**	**182,046**	**(448,569)**	**81,316,851**	**249,260**	**81,566,111**

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

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BANCO SANTANDER (BRASIL) S.A.

CONSOLIDATED CASH FLOWS STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

(Thousands of Brazilian Reais - R$)

	Note	2012	2011	2010
1. CASH FLOWS FROM OPERATING ACTIVITIES				
Consolidated profit for the year		**5,459,278**	**7,755,853**	**7,382,574**
Adjustments to profit		**17,298,624**	**11,915,926**	**11,415,282**
Depreciation of tangible assets	12	724,990	570,132	487,626
Amortization of intangible assets	14	1,106,110	891,902	749,784
Impairment losses on other assets (net)		38,352	38,646	20,600
Provisions and Impairment losses on financial assets (net)		18,682,143	12,443,012	10,208,136
Gains (losses) on disposal of tangible assets, investments and non-current assets held for sale		(448,805)	(452,096)	(139,951)
Share of results of entities accounted for using the equity method	11	(73,322)	(54,216)	(43,942)
Changes in deferred tax assets and liabilities	23.d	(2,770,611)	(1,534,607)	112,053
Others		39,767	13,153	20,976
Net (increase) decrease in operating assets		**(22,703,634)**	**(57,373,896)**	**(74,520,336)**
Cash and Bank with the brazilian central bank		11,046,168	(8,824,495)	(45,103,539)
Financial assets held for trading		(1,736,773)	(5,080,130)	(4,705,713)
Other financial assets at fair value through profit or loss		(562,949)	(4,277,011)	(1,645,321)
Available-for-sale financial assets		1,879,461	2,696,868	(471,550)
Loans and receivables		(30,821,128)	(39,864,486)	(24,059,733)
Other assets		(2,508,413)	(2,024,642)	1,465,520
Net increase (decrease) in operating liabilities		**6,665,503**	**28,524,361**	**46,406,369**
Financial liabilities held for trading		304,448	262,635	349,919
Other financial liabilities at fair value through profit or loss		-	-	(1,795)
Financial liabilities at amortized cost		4,411,101	24,290,139	46,469,159
Other liabilities		1,949,954	3,971,587	(410,914)
Payments of income tax	**23.a**	**(2,137,965)**	**(1,932,317)**	**(1,043,419)**
Total net cash flows from operating activities (1)		**4,581,806**	**(11,110,073)**	**(10,359,530)**
2. CASH FLOWS FROM INVESTING ACTIVITIES				
Investments		**(2,735,331)**	**210,603**	**(2,334,109)**
Net cash received on disposal of subsidiary		(1,447,401)	(1,074,509)	(1,319,869)
Tangible assets		(1,720,836)	(1,478,802)	(1,086,208)
Intangible assets		-	(6,356)	-
Capital Increase in affiliates		12,772	11,975	33,211
Dividends and Interest on Capital Received		420,134	2,758,295	38,757
Divestments		**(2,315,197)**	**227,796**	**(2,295,352)**
Subsidiaries, jointly controlled entities and associates	3.a	420,134	17,193	38,757
Tangible assets		(2,735,331)	210,603	(2,334,109)
Total net cash flows from investing activities (2)		**(5,050,528)**	**438,399**	**(4,629,461)**
3. CASH FLOWS FROM FINANCING ACTIVITIES				
Inssuance of shares of subsidiaries		(57,794)	(112,755)	-
Acquisition of own shares	18	36,376,139	29,501,246	21,402,252
Issuance of other long-term financial liabilities	0	(2,495,328)	(3,926,417)	(2,734,666)
Dividends paid and interest on capital		-	-	(2,534,750)
Payments of subordinated liabilities	18	(25,440,219)	(14,895,052)	(12,828,958)
Payments of other long-term financial liabilities	0	-	2,956	6,257
Increase/Decrease in non-controlling interests		8,753,798	10,569,978	3,310,135
Total net cash flows from financing activities (3)		**17,136,596**	**21,139,956**	**6,620,270**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (1+2+3)		**16,667,874**	**10,468,282**	**(8,368,721)**
Cash and cash equivalents at beginning of year		**19,617,680**	**9,017,407**	**9,346,899**
Cash and cash equivalents at end of year		**-**	**-**	**-**
Cash and cash equivalents components				
Cash	4	15,502,905	5,474,700	6,188,896
Loans and other	5	19,617,680	9,017,407	9,346,899
Total of cash and cash equivalents		**35,120,585**	**14,492,107**	**15,535,795**
Non-cash transactions				
Foreclosures loans and other assets transferred to non-current assets held for sale		1,202,825	1,175,000	2,166,714
Dividends and interest on capital declared but not paid		-	-	-
Supplemental information				
Interest received		22,232,253	22,901,817	16,799,971
Interest paid		-	-	-

The accompanying Notes and Appendix I are an integral part of these consolidated financial statements.

1. Introduction, basis of presentation of the consolidated financial statements and other information

a) Introduction

Banco Santander (Brasil) S.A. (Banco Santander or Bank), indirectly controlled by Banco Santander, S.A., with headquarters in Spain (Banco Santander Spain), is the lead institution of the financial and non-financial group (Conglomerate Santander) with the Central Bank of Brazil (Bacen), established as a corporation, with main office at Avenida Presidente Juscelino Kubitschek, 2041 e 2235 - Bloco A - Vila Olímpia - São Paulo - SP. Banco Santander operates as multiple bank and through its subsidiaries carries out its operations through three segments (note 43): (i) Commercial Bank, (ii) Global Wholesale Bank, which operate with commercial, investment, credit and financing and exchange, mortgage lending, leasing, credit cards and securities brokerage, and (iii) Asset Management and Insurance, which operates asset management, insurance brokerage, private pension and capitalization . Its operations are conducted as part of a set of institutions that operate on an integrated financial markets and capital.

The financial statements for the year ended on December 31, 2012 was approved by the Board of Directors at the meeting held on March 27, 2013.

b) Basis of presentation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and interpretations issued by the IFRS Interpretation Committee (Current name of IFRIC) (IFRS).

All accounting policies and measurement bases with a material effect on the consolidated financial statements were applied in their preparation. There were no changes in accounting policies and estimates during the year ended on December 31, 2012. The adoption of the new standards and interpretation of IFRS in 2011 did not have any impact to the comparability with the financial statements for the period ended on December 31, 2011 and 2010.

Adoption of new standards and interpretations

All standards and interpretations which came into force were adopted by the Bank in 2012. Following are the standards and interpretations applicable to the Bank:

• Amendment to IAS 1 - Presentation of Financial Statements - The IASB issued amendments to IAS 1 "Presentation of items of Comprehensive Income". The changes are the result of a joint project with the Financial Accounting Standards Board (FASB) and provides guidance on the presentation of items contained in the statement of comprehensive income and its respective classification. The purpose of this amendment is to clarify which items may or not may subsequently be reclassified to the income statement.

Standards and interpretations effective subsequent to December 31, 2012

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

• IFRS 9 – Financial Instruments: Recognition and Measurement – The main changes of IFRS 9 compared to IAS 39 are: (i) All recognized financial assets that are currently in the scope of IAS 39 will be measured at either amortized cost or fair value; (ii) IFRS 9 does not retain IAS 39's concept of embedded derivatives for hybrid contracts if the host contract is a financial asset within the scope of IFRS 9; (iii) the guidance included in IFRS 9 retains the classification criteria for financial liabilities currently contained in IAS 39. However, there are two key differences, relating to presentation and measurement, compared to IAS 39: (a) the presentation of the effects of changes in fair value attributable to a liability's credit risk; and (b) the elimination of the cost exemption for derivative liabilities to be settled by delivery of unquoted equity instruments.

• Amendment to IFRS 7 - Financial Instruments: disclosures - encourages qualitative disclosures in the context of the quantitative disclosure required to help users in comparing the financial statements.

• IFRS 10 - Consolidated Financial Statements replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements (2008) and SIC-12 Consolidation — Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (so whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee; and iii) the ability to use its power over the investee to affect the amount of the returns.

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

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

- Joint Venture: Rights to the net assets of the Agreement. The parties acknowledge their investments by the equity method.

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

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

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

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

• IAS 19 – Employee Benefits (2011) - On June 16, 2011, the IASB issued a new version of IAS 19, which mainly determines changes in accounting for defined benefit plans eliminating the option of the current model for the application of the "corridor" method for recognition of actuarial gains and losses.

Eliminating the application of the "corridor" method, actuarial gains and losses are fully recognized in equity of the sponsoring entity in other comprehensive income and in the case of Banco Santander, its financial statements will fully reflect the deficits of the defined benefit plans that may eventually occur.

Except for IFRS 9 and their disclosure items referred to transient changes in IFRS 7 for which the IASB postponed on December 16, 2011 the date for mandatory adoption to January 2015 the others standards have an effective date for annual periods beginning on January 1th 2013, with earlier application permitted. The early adoption for financial institutions in Brazil is subject to the pronouncements issued by the IASB, translated into Portuguese by a Brazilian entity accredited by the International Accounting Standards Committee Foundation (IASC Foundation). However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without technically early applying of the others items of IFRS.

The managers understands the adoption of the above-mentioned standards and interpretations to have a material effect on the consolidated financial statements taken as a whole, except to: (i) IFRS 9, which the Bank is analyzing the impacts from the adoption of this standard and, (ii) the new version of IAS 19, which effects of the first adoption will be recorded as a change in accounting policies in accordance with the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, of which the value recorded in Stockholders' Equity will be R$2.4 billion.

c) Estimates made

The consolidated results and the determination of consolidated equity are influenced by the accounting policies, assumptions, estimates and measurement bases used by the management of the Bank in preparing the consolidated financial statements. The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities of future periods. All estimates and assumptions required, in conformity with IFRS, are best estimates undertaken in accordance with the applicable standard.

In the consolidated financial statements estimates were made by the management of the Bank and of the consolidated entities in order to quantify certain of the assets, liabilities, income, expenses and disclosure notes. These estimates, which were made on the basis of the best information available, relate mainly to the following:

- Fair value measurement of certain financial instruments are further discussed in note 2-d.
- Allowance for loan losses are further discussed in note 2-h.
- Impairment losses on certain assets other than loans (including goodwill and other tangible and intangible assets) are further discussed in note 2-m and 2-n.
- Measurement of goodwill in a business combination are further discussed in note 2-n.
- The useful life of tangible and intangible assets are further discussed in note 2-m, 2-n and 14.
- Other assets are further discussed in note 2-k and 2-o.
- Provisions, contingent assets and liabilities are further discussed in note 2-q.
- Post-employment benefits are further discussed in note 2-w.
- Recognition and evaluation of deferred taxes are further discussed in note 2-z.

These estimates are based on current expectations and estimates on projections of future events and trends, which may affect the consolidated financial statements. The principal assumptions that may affect these estimates, in addition to those previously mentioned above, relate to the following factors:

- Changes in deposit amounts, customer basis and defaults by borrowers;
- Changes in interest rates;
- Changes in inflation rates;
- Government regulation and tax matters;
- Adverse legal or regulatory disputes or proceedings;
- Credit, market and other risks of lending and investment activities;
- Changes in market values of Brazilian securities, particularly Brazilian government securities; and
- Changes in regional, national and international business and economic conditions.

d) Capital management

Capital management considers the regulatory and economic levels. The objective is to achieve an efficient capital structure in terms of cost and compliance, meeting the requirements of the regulatory body and contributing to achieving the goals of the classification of rating agencies and investors' expectations. The capital management includes securitization, sale of assets, raising capital through issue of shares, subordinated liabilities and hybrid instruments.

From an economic standpoint, capital management seeks to optimize value creation at the Bank and at its different business segment. To this end, the economic capital, RORAC (return on risk-adjusted capital) and value creation data for each business segment are generated, analyzed and reported to the management committee on a quarterly basis. Within the framework of the internal capital adequacy assessment process (Pillar 2 of the Basel Capital Accord), the Group uses an economic capital measurement model with the objective of ensuring that there is sufficient capital available to support all the risks of its activity in different economic scenarios, with the solvency levels agreed upon by the Group.

In order to adequately manage the Bank's capital, it is essential to estimate and analyze future needs, in anticipation of the various phases of the business cycle. Projections of regulatory and economic capital are made based in financial projections (balance sheet, income statement, etc.) and on macroeconomic scenarios estimated by the Economic Research Service. These estimates are used by the Bank as a reference to plan the management actions (issues, securitizations, etc.) required to achieve its capital targets.

2. Accounting policies and measurement bases

The accounting policies and measurement bases applied in preparing the consolidated financial statements were as follows:

a) Foreign currency transactions

The consolidated interim financial statements of Banco Santander are presented in Brazilian Reais, functional currency and presentation of these statements.

For each subsidiary, entity under joint control and investment in an unconsolidated company, Banco Santander has defined the functional currency. The assets and liabilities of these entities with functional currency other than the Brazilian Real are translated as follows:

- Assets and liabilities are translated at the exchange rate at the balance sheet date.
- Revenues and expenses are translated at the monthly average exchange rates.
- Gain and losses on translation of net investment are recorded in the statement of comprehensive income, in "exchange rate of investees located abroad".

b) Basis of consolidation

i. Subsidiaries

"Subsidiaries" are defined as entities over which the Bank has the control. It is understood as defining control the power designated the Bank as controller to govern the financial and operating policies of an entity, as stipulated by the law, the Bylaws or agreement, so as to obtain benefits from its activities.

The financial statements of the subsidiaries are fully consolidated with those of the Bank. Accordingly, all balances and transactions between consolidated entities are eliminated on consolidation.

On acquisition of a subsidiary, its assets, liabilities and contingent liabilities are recognized at fair value at the date of acquisition. The excess of the acquisition cost over the fair values of the identifiable net assets acquired are recognized as goodwill (note 13). The excess of fair values of the identifiable net assets over the acquisition cost is the bargain purchase gain are charged to income on the date of acquisition.

Additionally, the equity in a subsidiary not attributable directly or indirectly to the Bank (Parent) is presented under "Non-controlling interests" in the consolidated balance sheet (note 26). Their share of the profit for the year is presented under "Profit attributable to non-controlling interests" in the consolidated income statement. Changes in the Bank's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Bank's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

The Appendix I contains significant information on these entities.

ii. Interests in joint ventures (jointly controlled entities) and associates

"Joint ventures" are deemed to be ventures that are not subsidiaries but which are jointly controlled by two or more unrelated entities. This is evidenced by contractual arrangements whereby two or more entities ("ventures") acquire interests in entities (jointly controlled entities) or undertake operations or hold assets so that strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers.

Associates are entities over which the Bank is in a position to exercise significant influence, but not control or joint control, usually because it holds 20% or more of the voting power of the investee.

In the consolidated financial statements, interest in joint ventures and investments in associates are accounted for using the equity method, i.e. at the Bank's share of net assets of the investee, after taking into account the dividends received there from and other equity eliminations. In the case of transactions with an associate, the related profits or losses are eliminated to the extent of the Bank's investment in the associate. Relevant information regarding companies accounted for under the equity method by the Bank is provided in note 11.

iii. Special purpose entities

When the Bank incorporates special purpose entities, or holds ownership interests therein, to enable its customers to access certain investments, or for the transfer of risks or other purposes, Bank assesses, using internal criteria and procedures, and taking into consideration the applicable legislation, whether control (as defined above) exists and, therefore, whether these entities should be consolidated. These criteria and procedures take into account, among other things, the risks and rewards retained by the Bank and, accordingly, all relevant matters are taken into consideration, including any guarantees granted or any losses associated with the collection of the related assets retained by the Bank. These entities include the securitization special purpose vehicles, which are fully consolidated in the case of the SPVs over which, based on the aforementioned analysis, it is considered that the Bank continues to exercise control.

iv. Business combinations, acquisitions and disposals

A business combination is the bringing together of two or more separate entities or economic units into one single entity or group of entities and is accounted for in accordance with IFRS 3, "Business Combinations".

Business combinations are performed whereby the Bank obtains control over an entity are recognized for accounting purposes as follows:

- The Bank measures the cost of the business combination, defined as the fair value of the assets given, the liabilities incurred and the equity instruments issued, if any.
- The fair values of the assets, liabilities and contingent liabilities of the acquired entity or business, including any intangible assets which might not have been recognized by the acquiree, are estimated at the acquisition date and recognized in the consolidated balance sheet.
- The excess of the acquisition cost over the fair values of the identifiable net assets acquired are recognized as goodwill (note 13). The excess of fair values of the identifiable net assets over the acquisition cost is the bargain purchase gain are charged to income on the date of acquisition.

Also, note 3 below includes a description of the most significant transaction carried out in 2012.

c) Definitions and classification of financial instruments

i. Definitions

A "financial instrument" is any contract that gives rise to a financial asset of one entity and, simultaneously, to a financial liability or equity instrument of another entity.

An "equity instrument" is any agreement that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A "financial derivative" is a financial instrument whose value changes in response to the change in an observable market variable (such as an interest rate, foreign exchange rate, financial instrument price, market index or credit rating), whose initial investment is very small compared with other financial instruments with a similar response to changes in market factors, and which is generally settled at a future date.

"Hybrid financial instruments" are contracts that simultaneously include a non-derivative host contract together with a derivative, known as an embedded derivative, that is not separately transferable and has the effect that some of the cash flows of the hybrid contract vary in a way similar to a stand-alone derivative.

The following transactions are not treated for accounting purposes as financial instruments:

- Investments in subsidiaries, jointly controlled entities and associates (note 11).
- Rights and obligations under employee benefit plans (note 22).

ii. Classification of financial assets for measurement purposes

Financial assets are initially classified into the various categories used for management and measurement purposes, unless they have to be presented as "Non-current assets held for sale" or they relate to "Cash and balances with the Brazilian Central Bank", "Hedging derivatives" and "Investment in associates", which are reported separately.

Financial assets are included for measurement purposes in one of the following categories:

• Financial assets held for trading (at fair value through profit or loss): this category includes the financial assets acquired for the purpose of generating a profit in the near term from fluctuations in their prices and financial derivatives that are not designated as hedging instruments.

• Other financial assets at fair value through profit or loss: this category includes hybrid financial assets not held for trading that are measured entirely at fair value and financial assets not held for trading that are included in this category in order to obtain more relevant information, either because this eliminates or significantly reduces recognition or measurement inconsistencies ("accounting mismatches") that would arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases, or because a group of financial assets or financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided on that basis to the Bank's key management personnel.

Financial instruments included in this category (and "Other financial liabilities at fair value through profit or loss") are permanently subject to a consistent system of measuring, managing and controlling risks and returns that enables all the financial instruments involved to be monitored and identified and allows the effective reduction of risk to be checked. Financial assets may only be included in this category on the date they are acquired or originated.

Available-for-sale financial assets are stated at fair value. This category includes debt instruments not classified as "Held-to-maturity investments", "Loans and receivables" or "Financial assets at fair value through profit or loss", and equity instruments issued by entities other than subsidiaries, associates and jointly controlled entities, provided that such instruments have not been classified as "Financial assets held for trading" or as "Other financial assets at fair value through profit or loss". Gains and losses arising from changes in fair value are recognized in "Equity" in the line item "Valuation Adjustment" with the exception of impairment losses, which are recognized in profit or loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in "Equity - Valuation Adjustments" is reclassified to profit or loss.

• Loans and receivables: this category includes financing granted to third parties, based on their nature, irrespective of the type of borrower and the form of financing, including finance lease transactions in which the consolidated entities act as lessors. The consolidated entities generally intend to hold the loans and credits granted by them until their final maturity and, therefore, they are presented in the consolidated balance sheet at their amortized cost (which includes the required adjustments to reflect estimated impairment losses).

• Held-to-maturity investments: this category includes debt instruments traded in an active market, with fixed maturity and with fixed or determinable payments, for which the Bank has both the intention and proven ability to hold to maturity. These investments are measured at amortized cost less any impairment, with revenue recognized on an effective yield basis.

iii. Classification of financial assets for presentation purposes

Financial assets are classified by nature into the following items in the consolidated balance sheet:

• Cash and balances with the Brazilian Central Bank: cash balances and balances receivable on demand relating to deposits with the Brazilian Central Bank.

• Loans and receivables: includes the balance of loans granted by the Bank, other than those represented by securities, as well as finance lease receivables and other debit balances of a financial nature in favor of the Bank, such as checks drawn on credit institutions, balances receivable from clearing houses and settlement agencies for transactions on the stock exchange and organized markets, bonds given in cash, capital calls, fees and commissions receivable for financial guarantees and debit balances arising from transactions not originated in banking transactions and services, such as the collection of rentals and similar items.

• Loans and amounts due from credit institutions: credit of any nature in the name of credit institutions.

• Loans and advances to customers: includes the debit balances of all the remaining credit and loans granted by the Bank, other than those represented by securities, including money market operations through central counterparties.

• Debt instruments: bonds and other securities that represent a debt for their issuer, that generate an interest return, and that are in the form of certificates or book entries.

• Equity instruments: financial instruments issued by other entities, such as shares, which have the nature of equity instruments for the issuer, unless they are investments in subsidiaries, jointly controlled entities or associates. Investment fund units are included in this item.

• Trading derivatives: includes the fair value in favor of the Bank of derivatives which do not form part of hedge accounting.

• Hedging derivatives: includes the fair value in favor of the Bank of derivatives designated as hedging instruments in hedge accounting.

• Investments in associates: includes the investments in the share capital of associates.

iv. Classification of financial liabilities for measurement purposes

Financial liabilities are classified for measurement purposes into one of the following categories:

• Financial liabilities held for trading (at fair value through profit or loss): this category includes the financial liabilities issued for the purpose of generating a profit in the short term from fluctuations in their prices, financial derivatives not considered to qualify for hedge accounting and financial liabilities arising from the outright sale of financial assets purchased under resale agreements or borrowed ("Short positions").

• Other financial liabilities at fair value through profit or loss: financial liabilities are included in this category when more relevant information is obtained, either because this eliminates or significantly reduces recognition or measurement inconsistencies ("accounting mismatches") that would arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases, or because a group of financial liabilities or financial assets and liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Bank is provided on that basis to the Bank's key management personnel.

• Financial liabilities at amortized cost: financial liabilities, irrespective of their instrumentation and maturity, not included in any of the above-mentioned categories which arise from the funding-taking activities carried on by financial institutions.

v. Classification of financial liabilities for presentation purposes

Financial liabilities are classified by nature into the following items in the consolidated balance sheet:

• Deposits from the Brazilian Central Bank: deposits of any nature received from the Brazilian Central Bank.

• Deposits from credit institutions: deposits of any nature, including Borrowings and Onlendings and money market funding received from credit institutions.

• Customer deposits: includes deposits of any nature such as demand deposits, saving deposits and time deposits including money market operation received from customer.

• Marketable debt securities: includes the amount of bonds and other debt represented by marketable securities, other than subordinated liabilities.

• Trading derivatives: includes the fair value, with a negative balance for the Bank, of derivatives which do not form part of hedge accounting.

• Short positions: includes the amount of financial liabilities arising from the outright sale of financial assets purchased under reverse repurchase agreements or borrowed.

• Subordinated liabilities: amount of financing received which, for the purposes of payment priority, ranks behind ordinary debt. This category also includes the financial instruments issued by the Bank which, although equity for legal purposes, do not meet the requirements for classification as equity.

• Other financial liabilities: includes the amount of payment obligations having the nature of financial liabilities not included in other items, and liabilities under financial guarantee contracts, unless they have been classified as doubtful.

• Hedging derivatives: includes the fair value of the Bank's liability in respect of derivatives designated as hedging instruments in hedge accounting.

d) Measurement of financial assets and liabilities and recognition of fair value changes

In general, financial assets and liabilities are initially recognized at fair value which, in the absence of evidence to the contrary, is deemed to be the transaction price. Financial instruments not measured at fair value through profit or loss are, adjusted by the transaction costs. Financial assets and liabilities are subsequently measured at each period-end as follows:

i. Measurement of financial assets

Financial assets are measured at fair value, without deducting any transaction costs that may be incurred on their disposal, except for loans and receivables, held-to-maturity investments, equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those equity instruments as their underlying and are settled by delivery of those instruments.

The "fair value" of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, willing parties in an arm's length transaction acting prudently. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an active, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of valuation techniques commonly used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

All derivatives are recognized in the balance sheet at fair value from the trade date. If the fair value is positive, they are recognized as an asset and if the fair value is negative, they are recognized as a liability. The changes in the fair value of derivatives from the trade date are recognized in "Gains/losses on financial assets and liabilities" in the consolidated income statement. Specifically, the fair value of standard financial derivatives included in the portfolios of financial assets or liabilities held for trading is deemed to be their daily quoted price and if, for exceptional reasons, the quoted price cannot be determined on a given date, these financial derivatives are measured using methods similar to those used to measure over the counter "OTC" derivatives.

The fair value of OTC derivatives is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques commonly used by the financial markets: "net present value" (NPV), option pricing models and other methods.

"Loans and receivables" and "Held-to-maturity investments" are measured at amortized cost using the effective interest method. "Amortized cost" is the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal repayments and the cumulative amortization (taken to the income statement) of the difference between the initial cost and the maturity amount. In the case of financial assets, amortized cost furthermore includes any reductions for impairment or uncollectibility. In the case of loans and receivables hedged in fair value hedges, the changes in the fair value of these assets related to the risk or risks being hedged are recognized.

The "effective interest rate" is the discount rate that exactly matches the initial amount of a financial instrument to all its estimated cash flows of all kinds over its remaining life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees and transaction costs that, because of their nature, form part of their financial return. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing in all connections until the next benchmark interest reset date.

Equity instruments whose fair value cannot be determined in a sufficiently objective manner are measured at acquisition cost adjusted, where appropriate, by any related impairment loss.

The amounts at which the financial assets are recognized represent, in all material respects, the Bank's maximum exposure to credit risk at each reporting date. Also, the Bank has received collateral and other credit enhancements to mitigate its exposure to credit risk, which consist mainly of mortgage guarantees, cash collateral, equity instruments and personal security, assets leased out under leasing and renting agreements, assets acquired under repurchase agreements, securities loans and derivatives.

ii. Measurement of financial liabilities

In general, financial liabilities are measured at amortized cost, as defined above, except for those included under "Financial liabilities held for trading" and "Other financial liabilities at fair value through profit or loss" and financial liabilities designated as hedged items (or hedging instruments) in fair value hedges, which are measured at fair value.

iii. Valuation techniques

Fair value measurements using a fair value hierarchy that reflects the model used in the measurement process.

Level 1: Financial instruments at fair value, determined on the basis of public price quotations in active markets, include government debt securities, private-sector debt securities, securitized assets, shares, short positions and fixed-income securities issued.

Level 2: The information that is not included in Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 generally includes internal models to estimate the price, in this case are used observable inputs in active markets.

Level 3: Records financial assets and liabilities which are not used observable market data to make the measurement.

Trading Financial Assets, Others financial assets at fair value on through profit or loss, Available-for-sale financial assets and Financial liabilities held for trading

Level 1: The securities with high liquidity observable prices in an active market are classified as level 1. At this level were classified most of the Brazilian Government Securities (mainly LTN, LFT, NTN-B, NTN-C and NTN-F), shares in stocks and other securities traded in an active market.

Level 2: When price quotations can not be observed, the Management, using their own internal models, make your best estimate of the price that would be set by the market. These models use data based on observable market parameters as an important reference. Various techniques are used to make these estimates, including the extrapolation of observable market data and extrapolation techniques. The best evidence of fair value of a financial instrument on initial recognition is the transaction price, unless the fair value of the instrument can be obtained from other market transactions carried out with the same instrument or similar instruments or can be measured using a valuation technique in which the variables used include only data from observable market, especially interest rates. These securities are classified within Level 2 of the fair value hierarchy and are composed mainly by Agricultural Debt Securities (TDA and Debentures) in a market with less liquidity than those classified at level 1.

Level 3: When there is information that is not based on observable market data, Banco Santander used internally developed models, from curves generated according to the internal model. Level 3 comprises mainly unlisted shares.

Derivatives

Level 1: Derivatives traded on exchanges are classified in Level 1 of the hierarchy.

Level 2: For derivatives not traded, the valuation of financial instruments requiring dynamic hedging (basically structured options and other structured instruments), is normally used in the Black-Scholes model. Observable market data are used to obtain factors, such as purchase-sale difference, exchange rates, volatility, correlation between indexes and market liquidity.

In the valuation of certain financial instruments exposed to interest rate risk, such as interest rate futures, caps and floors, the present value method (futures) and the Black-Scholes model (plain vanilla options) are used. The main inputs used in these models are basically observable market data, including the related interest rate curves, volatilities, correlations and exchange rates.

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

Level 3: Derivatives non traded in atock and do not have na observable data in a active market were classificated as Level 3, and are composed mainly of exotic options and swaps indexed to unobservable inputs.

The following table shows a summary of the fair values of financial assets and liabilities for the years ended December 31, 2012, 2011 and 2010, classified based on several measurement methods adopted by the Bank to determine fair value:

Thousands of Reais	2012				2011		
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Total
Financial assets held for trading	29,693,009	1,939,296	5,963	31,638,268	448,210	29,453,285	29,901,495
Other financial assets at fair value through profit or loss	724,552	124,186	379,580	1,228,318	374,519	290,850	665,369
Available-for-sale financial assets	33,148,387	10,874,055	126,178	44,148,620	608,901	43,999,300	44,608,201
Hedging derivatives (assets)	80,257	75,907	-	156,164	-	80,708	80,708
Financial liabilities held for trading	3,178,163	2,169,437	4,136	5,351,736	337,628	4,709,660	5,047,288
Hedging derivatives (liabilities)	158,899	122,646	-	281,545	-	36,071	36,071

Thousands of Reais	2010		
	Level 1	Level 2	Total
Financial assets held for trading	3,283,931	21,537,434	24,821,365
Other financial assets at fair value through profit or loss	17,423,359	516,422	17,939,781
Available-for-sale financial assets	1,348,989	45,857,030	47,206,019
Hedging derivatives (assets)	-	115,640	115,640
Financial liabilities held for trading	29,339	4,755,314	4,784,653
Hedging derivatives (liabilities)	-	112	112

The following table shows the changes that occurred during the year 2012 for level 3

In thousand of reais	Fair Value 2011	Transfers for Level 3	Additions/ Charge-offs	Fair value 2012
Financial assets held for trading	-	-	5,963	5,963
Other financial assets at fair value through profit or loss	-	339,164	40,416	379,580
Available-for-sale financial assets	-	230,036	(103,858)	126,178
Financial liabilities held for trading	-	-	4,136	4,136

In 2012, the Banco Santander conducted a study where the methods were reevaluated by products, which resulted in the reclassification of some financial instruments, mainly, Brazilian Government Securities which had its classification changed from level 2 to level 1.

iv. Recognition of fair value changes

As a general rule, changes in the carrying amount of financial assets and liabilities are recognized in the consolidated income statement, distinguishing between those arising from the accrual of interest and similar items -which are recognized under "Interest and similar income" or "Interest expense and similar charges", as appropriate- and those arising for other reasons, which are recognized at their net amount under "Gains (losses) on financial assets and liabilities (net)".

Adjustments due to changes in fair value arising from Available-for-sale financial assets are recognized temporarily in stockholders equity under "Valuation adjustments". Items charged or credited to this account remain in the Bank's consolidated stockholders equity until the related assets are derecognized, whereupon they are charged to the consolidated income statement.

v. Hedging transactions

The consolidated entities use financial derivatives for the following purposes: i) to facilitate these instruments to customers who request them in the management of their market and credit risks; ii) to use these derivatives in the management of the risks of the Bank entities' own positions and assets and liabilities ("hedging derivatives"); and iii) to obtain gains from changes in the prices of these derivatives ("financial derivatives").

Financial derivatives that do not qualify for hedge accounting are treated for accounting purposes as trading derivatives.

A derivative qualifies for hedge accounting if all the following conditions are met:

1. The derivative hedges one of the following three types of exposure:

a. Changes in the fair value of assets and liabilities due to fluctuations, among others, in the interest rate and/or exchange rate to which the position or balance to be hedged is subject ("fair value hedge");

b. Changes in the estimated cash flows arising from financial assets and liabilities, commitments and highly probable forecast transactions ("cash flow hedge");

c. The net investment in a foreign operation ("hedge of a net investment in a foreign operation").

2. It is effective in offsetting exposure inherent in the hedged item or position throughout the expected term of the hedge, which means that:

a. At the date of arrangement the hedge is expected, under normal conditions, to be highly effective ("prospective effectiveness").

b. There is sufficient evidence that the hedge was actually effective during the whole life of the hedged item or position ("retrospective effectiveness").

3. There must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this effective hedge was expected to be achieved and measured, provided that this is consistent with the Bank's management of own risks.

The changes in value of financial instruments qualifying for hedge accounting are recognized as follows:

a. In fair value hedges, the gains or losses arising on both the hedging instruments and the hedged items (attributable to the type of risk being hedged) are recognized directly in the consolidated income statement.

b. In cash flow hedges, the effective portion of the change in value of the hedging instrument is recognized temporarily in stockholders equity under "Valuation adjustments - Cash flow hedges" until the forecast transactions occur, when it is recognized in the consolidated income statement, unless, if the forecast transactions result in the recognition of non-financial assets or liabilities, it is included in the cost of the non-financial asset or liability. The ineffective portion of the change in value of hedging derivatives is recognized directly in the consolidated income statement.

c. The ineffective portion of the gains and losses on the hedging instruments of cash flow hedges and hedges of a net investment in a foreign operation are recognized directly under "Gains (losses) on financial assets and liabilities (net)" in the consolidated income statement.

If a derivative designated as a hedge instrument no longer meets the requirements described above due to expiration, ineffectiveness or for any other reason, the derivative is classified as a trading derivative.

When fair value hedge accounting is discontinued, the adjustments previously recognized on the hedged item are transferred to profit or loss at the effective interest rate re-calculated at the date of hedge discontinuation. The adjustments must be fully amortized at maturity.

When cash flow hedges are discontinued, any cumulative gain or loss on the hedging instrument recognized in stockholders equity under "Valuation adjustments" (from the period when the hedge was effective) remains recognized in stockholders equity until the forecast transaction occurs at which time it is recognized in profit or loss, unless the transaction is no longer expected to occur, in which case any cumulative gain or loss is recognized immediately in profit or loss.

e) Derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

1. If the Bank transfers substantially all the risks and rewards to third parties -unconditional sale of financial assets, sale of financial assets under an agreement to repurchase them at their fair value at the date of repurchase, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitization of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to the new holders, and other similar cases-, the transferred financial asset is derecognized and any rights or obligations retained or created in the transfer are recognized simultaneously.

2. If the Bank retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, and other similar cases-, the transferred financial asset is not derecognized and continues to be measured by the same criteria as those used before the transfer. However, the following items are recognized:

a. An associated financial liability, for an amount equal to the consideration received; this liability is subsequently measured at amortized cost.

b. The income from the transferred financial asset not derecognized and any expense incurred on the new financial liability.

3. If the Bank neither transfers nor retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases-, the following distinction is made:

a. If the transferor does not retain control of the transferred financial asset, the asset is derecognized and any rights or obligations retained or created in the transfer are recognized.

b. If the transferor retains control, it continues to recognize the transferred financial asset for an amount equal to its exposure to changes in value and recognizes a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognized when the rights on the cash flows they generate have been extinguished or when substantially all the inherent risks and rewards have been transferred to third parties. Similarly, financial liabilities are only derecognized when the obligations they generate have been extinguished or when they are acquired, with the intention of either to cancel them or to resell them.

f) Offsetting of financial instruments

Financial asset and liability balances are offset (i.e. reported in the consolidated balance sheet at their net amount) only if the Bank and their subsidiaries currently have a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

g) Regular way purchases of financial assets

Regular way purchases of financial assets are recognized on trade date. The assets are derecognized when the rights to receive cash flows have expired or the Bank has transferred substantially all the risks and rewards of ownership.

h) Impairment of financial assets

i. Definition

A financial asset is considered to be impaired and therefore its carrying amount is adjusted to reflect the effect of impairment when there is objective evidence that events have occurred which:

- Give rise to an adverse impact on the future cash flows that were estimated at the transaction date, in the case of debt instruments (loans and debt securities);
- Mean that their carrying amount cannot be fully recovered, in the case of equity instruments;
- Arising from the violation of terms of loans, and
- During the bankruptcy process.

As a general rule, when the events above are observed, the carrying amount of impaired financial assets is adjusted by recording a provision for losses on debts expense as "Losses on financial assets (net)" in the consolidated income statement. The reversal of previously recorded losses is recognized in the consolidated income statement in the period in which the impairment and decrease can be related objectively to an event of recovery.

Financial Assets are deemed to be impaired, and the interest accrual suspended, when there are reasonable doubts as to their full recovery and/or the collection of the related interest for the amounts and on the dates indicated in the loan agreement, after taking into account the collateral guarantees received to secure (fully or partially) collection of the related balances. For all non-performing past due assets, any collections relating to impaired loans and advances are used to recognize the accrued interest and the remainder, if any, is applied to reduce the principal amount outstanding.

ii. Debt instruments carried at amortized cost

The amount of an impairment loss incurred for determination of the recoverable amount on a debt instrument measured at amortized cost is equal to the difference between its carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted the original effective interest rate of the financial asset (or the effective interest rate computed at initial recognition), and is presented as a reduction of the asset balance and recorded on income statements.

In estimating the future cash flows of debt instruments the following factors are taken into account:

- All the amounts that are expected to be obtained over the remaining life of the instrument, in this case, the provided guarantees. The impairment loss takes into account the likelihood of collecting accrued interest receivable.
- The various types of risk to which each instrument is subject; and
- The circumstances in which collections will foreseeably be made.

These cash flows are subsequently discounted using the instrument's effective interest rate.

Specifically in regards to recoverable amount losses resulting from materialization of the insolvency risk of the obligors (credit risk), a debt instrument is impaired due to insolvency when there is evidence of a deterioration of the obligor's ability to pay, either because it is in arrears or for other reasons.

The Bank has certain policies, methods and procedures for covering its credit risk arising both from insolvency allocable to counterparties.

These policies, methods and procedures are applied in the granting, examination and documentation of debt instruments, and contingent liabilities and commitments, the identification of their recoverable amount and the calculation of the amounts necessary to cover the related credit risk.

The procedures applied in the identification, measurement, control and reduce the exposure to credit risk, are based on an individual basis or grouped by similarity.

- Customers with individual management: Wholesale segment customers, financial institutions and certain companies. Risk management is performed through an analysis complemented by tools to support decision-making model-based risk assessment internal procedure.

- Customers with standardized management: individuals and companies not classified as individual clients. Risk management models based on automated decision-making and risk assessment procedure, complemented, when the model is not comprehensive or accurate enough, by teams of analysts specializing in this type of risk. The credits related to customers standardized, are usually considered not recoverable when they have historical loss experience and delay greater than 90 days.

Regarding the provision for impairment losses from credit risk, the Bank evaluates all loans. Loans are either individually evaluated for impairment or collectively evaluated for impairment. Loans accounted as amortized cost, which are not individually evaluated for impairment, are collectively evaluated for impairment, grouping them considering the similarity of risk. Loans individually evaluated for impairment are not included in balances that are collectively evaluated for impairment.

To measure the impairment loss on loans individually evaluated for impairment, the Bank considers the conditions of the borrower , such as their economic and financial situation, level of indebtedness, ability to generate income, cash flow , management, corporate governance and quality of internal controls, payment history, industry expertise, contingencies and credit limits, as well as characteristics of assets, such as its nature and purpose, type, sufficiency and liquidity level guarantees and total amount of credit, as well as based on historical experience of impairment and other circumstances known at the moment of evaluation.

To measure the impairment loss on loans collectively evaluated for impairment, the Bank segregates financial assets into groups considering the characteristics and similarity of credit risk, in other words, according to segment, the type of assets, guarantees and other factors associated as the historical experience of impairment and other circumstances known at the time of assessment.

The impairment loss is calculated by using statistical models that consider the following factors:

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

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

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

PD is measured using a time horizon of one year; that is, it quantifies the probability of the borrower defaulting in the coming year. A loan is in default if either the principal or interest is past due by ninety days or more or the loan is current but there are doubts as to the solvency of the counterparty (subjective doubtful assets).

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

LGD calculation is based on the net charge offs on defaulted loans, taking into account the guarantees/collateral associated with the loans, the income and expenses associated with the recovery process and the timing of delinquency.

• In addition, prior to charging off past due loans (which is only done after the Bank have completed all recovery efforts), is composed fully provision the remaining balance of the loan so our allowance for loan losses fully cover the losses. Thus, the Bank understands that its loan loss allowance methodology has been developed to fit its risk metrics and capture loans that could potentially become impaired.

iii. Debt or equity instruments classified as available for sale

The difference between the amortized cost and fair value of debt or equity instruments classified as available for sale are recorded in stockholders equity under "Valuation adjustments - financial assets available for sale."

When there is objective evidence that the aforementioned differences are considerate a loss to permanent, they are no longer recognized in stockholders equity and are reclassified, for the cumulative amount at that date, to the consolidated income statement. Losses considered like a permanent on investment in equity instruments are not reversed in subsequent periods.

iv. Equity instruments measured at cost

The amount of impairment losses on equity instruments measured at cost is the difference between the carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities.

Impairment losses of recoverable amounts are recognized in the consolidated income statement for the period in which they arise as a direct reduction of the cost of the instrument. These losses can only be reversed subsequently if the related assets are sold.

i) Repurchase agreements

Purchases (disposal) of financial assets under a non-optional resale (repurchase) agreement at a fixed price are recognized in the consolidated balance sheet as Investment (funding), in repurchase agreements based on the nature of the debtor (creditor), under "Cash and balances with the Brazilian Central Bank", "Loans and amounts due from credit institutions" or "Loans and advances to customers" ("Deposits from the Brazilian Central Bank", "Deposits from credit institutions" or "Customer deposits").

Differences between the purchase and sale prices are recognized as interest over the contract term.

j) Accounting for leases

i. Financial leases

Financial leases are leases that transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee.

When the consolidated entities act as the lessors of an asset, all types of finances leases have guaranteed residual values, and the sum of the present value of the lease payments receivable from the lessee plus the guaranteed residual value which is the exercise price of the purchase option of the lessee at the end of the lease term is recognized as lending to third parties and is therefore included under "Loans and receivables" in the consolidated balance sheet.

The finance income arising from these contracts is credited to "Interest and similar income" in the consolidated income statement so as to achieve a constant rate of return over the lease term.

ii. Operating Leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.

When the consolidated entities act as the lessors, they present the acquisition cost of the leased assets under "Tangible assets" (note 12). The depreciation policy for these assets is consistent with that for similar items of property, plant and equipment for own use and income from operational leases is recognized on a straight-line basis under "Other operating income (expense)" in the consolidated income statement.

When the consolidated entities act as the lessees, the lease expenses, including any incentives granted by the lessor, are charged on a straight-line basis to "Other administrative expenses" in their consolidated income statements.

k) Non-current assets held for sale

"Non-current assets held for sale" includes the carrying amount of individual items or disposal groups or items forming part of a business unit earmarked for disposal ("Discontinued operations"), whose sale in their present condition is highly probable and is expected to occur within one year, the property or other non-current assets received by the consolidated entities as total or partial settlement of their debtors' payment obligations to them are deemed to be non-current assets held for sale through the completion of actions which normally occurs up to one year.

Non-current assets held for sale are measured at the lower of fair value less costs to sell and their carrying amount at the date of classification in this category. Non-current assets held for sale are not depreciated.

Impairment losses on an asset or disposal group arising from a reduction in its carrying amount to its fair value (less costs to sell) are recognized under "Gains (losses) on disposal and expenses of non-current assets held for sale not classified as discontinued operations" in the consolidated income statement. The gains on a non-current asset held for sale resulting from subsequent increases in fair value (less costs to sell) increase its carrying amount and are recognized in the consolidated income statement up to an amount equal to the impairment losses previously recognized.

l) Residual maturity periods and average interest rates

The analysis of the maturities of the balances of certain items in the consolidated balance sheets and the average interest rates at 2012, 2011 and 2010 year-end is provided in note 42-d.

m) Tangible assets

"Tangible assets" includes the amount of buildings, land, furniture, vehicles, computer hardware and other fixtures owned by the Bank, including tangible assets received by the Bank in full or partial satisfaction of financial assets representing receivables from third parties which are intended to be held for continuing use and tangible assets acquired under finance leases are presented at acquisition cost, less the related accumulated depreciation and any impairment losses (net carrying amount higher than recoverable amount).

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The tangible asset depreciation charge is recognized in the consolidated income statement and is calculated basically using the following depreciation rates (based on the average years of estimated useful life of the various assets):

	Annual Rate
Buildings for own use	4%
Furniture	10%
Fixtures	10%
Office and IT equipment	20%
Leasehold improvements	10% or up to contractual maturity

The Bank assesses at end of each period, if there is no indication that the items of tangible assets may be impaired (carrying amount exceeds its recoverable amount either for use or sale). The assessment of property is done through reports prepared by independent companies.

Once identified a reduction in the impairment loss of tangible assets, this is adjusted to reach its recoverable amount by recognizing an impairment loss recorded in "Impairment loss on other assets (Net)". Additionally the value of depreciation of that asset is recalculated in order to adjust the value of the life of the asset.

In case of evidence or indication of an impairment loss of a tangible asset, the Bank recognizes the reversal of impairment loss recorded in prior years and should adjust the future depreciation expenses according to the lifetime value of the property. Under no circumstances will a reversal of impairment loss of an asset may increase its carrying amount higher than the amount that would have no impairment loss had been recognized in prior years.

Upkeep and maintenance expenses relating to property, plant and equipment for own use are recognized as an expense in the period in which they are incurred.

n) Intangible assets

Intangible assets are identifiable non-monetary assets (separable from other assets) without physical substance which arise as a result of a legal transaction or software are developed internally. Only assets whose cost can be estimated reliably and from which the consolidated entities consider it probable that future economic benefits will be generated are recognized.

Intangible assets are recognized initially at acquisition or production cost and are subsequently measured deducting any accumulated amortization and any accumulated impairment losses.

i. Goodwill

In the acquisition of investment in subsidiary, any difference between the investment cost and the investor's share in net fair value of assets, liabilities and contingent liabilities of the investee (subsidiary or affiliate) is accounted for in accordance with IFRS 3 "Business Combination ".

Goodwill is recognized only when the amount of the consideration of the investee acquired exceeds the fair value at the acquisition date, and therefore represents a payment made by the acquirer in anticipation of future economic benefits of assets of the acquired entity that can not be individually identified and recognized separately.

At the end of each reporting period or whenever there is any indication of impairment goodwill is reviewed for impairment (impairment test) and, if there is any impairment, the goodwill is written down with a charge to Impairment losses on Goodwill and other intangible assets in the consolidated income statement.

The net fair value adjustments of assets, liabilities and contingent liabilities of the investee in relation to its carrying amount are allocated to individual identifiable assets acquired and liabilities assumed that compose based on their respective fair values at the date of purchase.

In the case of a business combination achieved in stages, is measured again prior involvement in the acquiree at fair value at date of acquisition that obtains control of the acquiree.

ii. Other intangible assets

It is a non-monetary asset without physical substance. It is basically due to software development and acquisition of rights (such as customer list acquired) that can generate benefits for the Bank. They can have characteristics of definite or indefinite period.

Other intangible assets are considered to have indefinite useful life when, based on an analysis of all relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Bank, or a finite useful life, in all other cases.

Intangible assets with indefinite useful lives are not amortized, but instead, at the end of each period, the entity reviews the remaining useful life of assets to determine if they are still undefined and, if this is not the case, the change should be accounted for as a change in accounting estimate.

Intangible assets with definite useful life are amortized over its useful life by using methods similar to those used to depreciate tangible assets. The amortization expense is recognized under "Depreciation and amortization" in the consolidated income statement.

The Bank assesses at the end of each period, if there is no indication that the items of intangible assets may present an impairment loss, i.e. an asset that presents the carrying amount higher than the net realizable value. Identifying any reduction in impairment loss, this is adjusted to reach its fair value.

Measuring the recoverable amount of other intangible assets - software is made based on value in use, as well as the analysis of the discontinuity of the asset in relation to the activities of the Bank.

The Bank uses the value in use of other intangible assets - customer lists as a basis for measuring the impairment since it is not reasonably possible to determine the net value of sales, because there is no basis for making a reliable estimate of the value be obtained by selling the asset in a transaction at cumulative basis, between knowledgeable, willing parties. The value in use of customer lists acquired related to the purchase of the "payroll" will be determined individually. It is prepared by the business areas a "Business Case" that aims to demonstrate the expectation of generating future economic benefit and the present value of expected cash flows. Quarterly, these "Business Case" are reviewed based on the actual cash flows of each business (value in use), which are compared with book value, checking whether there is a need to record a loss on non-recoverability.

o) Other assets

It includes the balance of all prepayments and accrued income (excluding accrued interest), the net amount of the difference between pension plan obligations and the value of the plan assets with a balance in the entity's favor, when this net amount is to be reported in the consolidated balance sheet, and the amount of any other assets not included in other items.

p) Liabilities for insurance contracts

The liabilities for insurance contracts are comprised substantially by mathematical reserves for current and future benefits (PMBaC and PMBC). Insurance contracts are contracts under which the Bank accepts a significant risk – other than a financial risk – from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain future event by which the policyholder will be adversely affected.

Insurance liabilities are recognized when the contract is entered into and the premiums are charged. Contracts that have been classified as insurance are not reclassified subsequently. The liability is derecognized when the contract expires or is cancelled.

Mathematical reserves for current and future benefits are recognized based on contributions made under the capitalization financial system. The mathematical reserves for current benefits represent commitments under continued income plans which are recognized through actuarial calculation for the traditional, pension plan (PGBL) and cash value life insurance (VGBL) plans.

All valuation methods used by the subsidiaries are based on the general principle that the carrying amount of the net liability must be sufficient to meet any reasonably foreseeable obligation resulting from the insurance contracts. Investment assumptions are either determined by the local regulator or based on management's future expectations. In the latter case, the anticipated future investment returns are set by management, considering the available market information and economic indicators. A significant assumption related to estimated gross profits on variable annuities, is the annual long-term growth rate of the underlying assets.

At each balance sheet date an assessment is made of whether the provisions for Mathematical reserves are adequate.

q) Provision of contingent assets and liabilities

Banco Santander and its subsidiaries are involved in judicial and administrative proceedings related to tax, labor and civil, in the normal course of their activities.

The judicial and administrative proceedings are recognized in the accounts based on the nature, complexity and history of actions and beliefs of the internal and external legal advisors.

Provisions are made when the risk of loss of judicial or administrative action is assessed as probable and the amounts involved can be measured with sufficient accuracy, based on best available information. The provisions include legal obligations, judicial and administrative proceedings related to tax and social security obligations, whose object is to challenge their legality or constitutionality, regardless of the assessment that the probability of success, the amounts are fully recognized in the financial statements. They are fully or partially reversed when the obligations cease to exist or are reduced.

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more future events that are not totally under the control of the consolidated entities. Under accounting rules, contingent liabilities classified as possible losses are not recognized, but disclosed in the notes to the financial statements.

Contingent assets are not accounting recognized , except when there are guarantees or favorable judicial decisions, about which no longer fit features, characterizing the gain as practically certain. Assets with probable success, if any, are only disclosed in the financial statements.

Management believes that the provisions made are sufficient to cover losses from judicial and administrative proceedings, and believe that, in aggregate, will not have significant impacts on results, cash flow or financial condition of the Bank.

Given the uncertainties arising from the proceedings is not practicable to determine the time of any outflow (cash disbursement).

r) Other liabilities

"Other liabilities" includes the balance of all accrued expenses and deferred income, excluding accrued interest, and the amount of any other liabilities not included in other categories.

s) Share-based compensation

The Bank has long-term compensation plans with vesting conditions. The main vesting conditions are: (1) service conditions, since it is necessary that the participant remains employed with the Bank during the term of the Plan for their rights to vest; (2) performance conditions, since the number of Units that ultimately vest will be determined according to the result of certain performance parameter of the Bank, such as: total Shareholder Return (TSR) and may be reduced if failure to achieve the goals of reducing the Return on Risk Adjusted Capital (RORAC), comparison between actual and budget in each year, as determined by the Board of Directors and (3) market conditions, since some parameters are linked to the market price of the Bank´s shares. These compensation plans are measured and recorded in accordance with IFRS 2 - "Share-based payment". The Bank measures the fair value of the services rendered by reference to the fair value of the equity instruments granted at the grant date, taking into account the market conditions for each plan when estimating the fair value.

Settlement in shares

The Bank measures the fair value of the services received by reference to the fair value of the equity instruments granted at the grant date, taking into account the market conditions for each grant when estimating the fair value. In order to recognize the personnel expenses against equity reserves throughout the vesting period, as the services are received, the Bank considers the treatment of service conditions and recognize the amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest. Semi-annually, the Bank reviews the estimate of the number of equity instruments expected to vest.

Settlement in cash

For cash-settled share-based compensation (in the form of share appreciation rights), the Bank measures the services rendered and the corresponding liability incurred at the fair value of the share appreciation rights at the grant date and until the liability is settled, the Banks remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period. In order to recognize the personnel expenses against a provision in "other liabilities" throughout the vesting period, reflecting the period as the services are received, the Bank bases the total liability on the best estimate of the number of share appreciation rights that will vest at the end of the vesting period and recognize the amount for the services received during the vesting period based on such best available estimate. Periodically, the Bank reviews such estimate of the number of share appreciation rights that will vest at the end of vesting period."

t) Recognition of income and expenses

The most significant criteria used by the Bank to recognize its income and expenses are summarized as follows:

i. Interest income, interest expenses and similar items

Interest income, interest expenses and similar items are generally recognized on an accrual basis using the effective interest method. Dividends received from other companies are recognized as income when the consolidated entities' right to receive them arises.

However, the recognition of accrued interest in the consolidated income statement is suspended for debt instruments and loans and advances individually classified as impaired and for the instruments for which impairment losses have been assessed collectively because they have payments more than two months past due. This interest is recognized as income, when collected, as a reversal of the related impairment losses.

ii. Commissions, fees and similar items

Fee and commission income and expenses are recognized in the consolidated income statement using criteria that vary according to their nature. The main criteria are as follows:

- Fee and commission income and expenses relating to financial assets and financial liabilities measured at fair value through profit or loss are recognized when paid;
- Those arising from transactions or services that are performed over a period of time are recognized over the life of these transactions or services; and
- Those relating to services provided in a single act are recognized when the single act has been performed.

iii. Non-financial income and expenses

These are recognized for accounting purposes on an accrual basis.

iv. Deferred collections and payments

These are recognized for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

v. Loan arrangement fees

Loan arrangement fees, mainly loan origination and application fees, are accrued and recognized in income over the term of the loan. In the case of loan origination fees, the portion relating to the associated direct costs incurred in the loan arrangement is recognized immediately in the consolidated income statement.

u) Financial guarantees

"Financial guarantees" are defined as contracts whereby an entity undertakes to make specific payments for a third party if the latter does not do so, irrespective of the various legal forms they may have, such as guarantees, irrevocable documentary credits issued or confirmed by the entity, among others.

The Bank initially recognizes the financial guarantees as liability side of the consolidated balance sheet at fair value, which is generally the present value of the fees, commissions and similar interest receivable from these contracts over the term thereof, and simultaneously the Bank recognizes, on the asset side of the consolidated balance sheet, the amount of the fees, commissions and interest received at the start of the transactions and the amounts receivable at the present value of the fees, commissions and interest receivable.

Financial guarantees, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments measured at amortized cost.

The provisions made for these transactions are recognized under "Provisions - Provisions for contingent liabilities, commitments and other provisions" in the consolidated balance sheet (note 22).

If a specific provision is required for financial guarantees, the related unearned commissions recognized under "Financial liabilities at amortized cost – Other financial liabilities" in the consolidated balance sheet are reclassified to the appropriate provision.

v) Assets under management and investment and pension funds managed by the Bank

Assets owned by third parties and managed by the consolidated entities are not presented on the face of the consolidated balance sheet. Management fees are included in "Fee and commission income" in the consolidated income statement. Note 42-b contains information on the third-party assets managed by the Bank.

The investment funds and pension funds managed by the consolidated entities are not recorded in the consolidated balance sheet since the related assets are owned by third parties. The fees and commissions earned in the year for the services rendered by the Bank entities to these funds (asset management and custody services) are recognized under "Fee and commission income" in the consolidated income statement.

w) Post-employment benefits

Post-employment benefit plans include the commitments of the Bank: (i) addition to the benefits of public pension plan; and (ii) medical assistance in case of retirement, permanent disability or death for that employees eligible and their direct beneficiaries.

Defined contribution plans

Defined benefit plans is the post-employment benefit plan which the Bank and its subsidiaries, as the sponsoring entity, pay fixed contributions into a pension fund, not having a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all benefits relating to services provided in the current and in previous periods.

The contributions made under these plans are recognized under personnel expenses in the consolidated income statement. The amounts not yet contributed at each year-end are recognized, at their present value in balance sheets like "Provisions - provisions for pension funds and similar obligations" in the consolidated balance sheet.

Defined benefit plans

Defined benefit plans are the post-employment benefit plans which are not defined contribution plan and are shown at Note 22.

The present value of obligations of defined benefit plans are recorded, net (i) the fair value of plan assets,(ii) of gains and / or net unrecognized actuarial losses, which are deferred using the corridor method, and (iii) the costs of past service, which is deferred over vesting period. The obligations are recorded in the balance sheet as "Provisions - provisions for pension funds and similar obligations".

In case the net amount represents an asset, the actuarial asset is recorded in the consolidated balance sheet as “Other assets” when: (i) the excess funds represent future economic benefits in the shape of a return of funds to the sponsor or a reduction in future contributions, according to the conditions set forth in Resolution 26/2008 of the Supplementary Pension Plan Management Board (CGPC); and (ii) resulting from any accrued, net and unrecorded actuarial losses and costs of past services that will be offset in the long term by their respective record.

The plan’s assets are defined as those that will be used directly in the settlement of obligations, and: (i) whose ownership is sponsored; and (ii) that can only be used to pay or finance post-employment benefits and cannot be returned to the consolidated entities, unless the assets remaining in the plan are sufficient to meet all of the plan’s obligations.

Actuarial gains and losses are those resulting from differences between previous actuarial assumptions and what effectively took place, and from the effects of those changes on actuarial assumptions. The Bank uses the corridor method and records the net amount of accrued actuarial gains and/or losses exceeding the higher between 10% of the present value of the obligations and 10% of the fair value of the plan’s assets.

The cost of past services results either from changes in the current post-employment benefits or from the introduction of new benefits, and is recorded according to the straight-line method over the period between the time when the new commitments arise and the date when the employee acquired the irrevocable right to receive new benefits.

Post-employment benefits are recorded in the income statement as follows:

- Cost of the current service – increase in the present value of the obligations resulting from employee services in the current periods – “Personnel expenses”.
- Cost of interest – increase in the present value of the obligations as a result of the passing of time - "Interest and similar expenses."
- The expected return on the plan’s assets and the gains or losses on the value of those assets – “Interest and similar revenues”.
- The actuarial gains and losses calculated by using the corridor method and the unrecorded cost of past services – “ Provisions (Net)".

Defined benefit plans are recorded based on an actuarial study conducted annually by an external consulting firm at the end of each fiscal year and effective for the subsequent period. The actuarial valuation of these plans depends on a number of assumptions, including the following stand:

- Assumed interest rates;
- Boards of mortality;
- Annual index applied to the review of pensions;
- Index of inflation;
- Annual index salary readjustments; and
- Method used to calculate the commitments relating to acquired rights of active employees.

x) Other long-term employee benefits

“Other long-term employee benefits”, defined as obligations to early retirees taken to be those who have ceased to render services at the entity but who, without being legally retired, continue to have economic rights relating to the entity until they acquire the legal status of retiree, long-service bonuses, obligations for death of spouse or disability before retirement that depend on the employee's length of service at the entity and other similar items, are treated for accounting purposes, where applicable, as established above for defined benefit post-employment plans, except that all past service costs and actuarial gains and losses are recognized immediately (note 22).

y) Termination benefits

Termination benefits are recognized when there is a detailed formal plan identifying the basic changes to be made, provided that implementation of the plan has begun, its main features have been publicly announced or objective facts concerning its implementation have been disclosed.

z) Income taxes

Income tax is calculated at the rate of 15% plus a 10% surtax; social contribution tax is calculated at the rate of 15% for financial institutions, and for non-financial companies the social contribution tax rate is 9%, after adjustments determined by tax legislation.

The expense for corporation income tax is recognized in the consolidated income statement, except when it results from a transaction recognized directly in equity, in which case the tax effect is also recognized in equity.

The current income tax expense is calculated as the sum of the current tax resulting from application of the appropriate tax rate to the taxable profit for the year (net of any deductions allowable for tax purposes), and of the changes in deferred tax assets and liabilities recognized in the consolidated income statement.

"Tax assets" includes the amount of all tax assets, which are broken down into "current" amounts of tax to be recovered within the next twelve months and "deferred" amounts of tax to be recovered in future years, including those arising from unused tax losses or tax credits.

"Tax liabilities" includes the amount of all tax liabilities (except provisions for taxes), which are broken down into "current" the amount payable in respect of the income tax on the taxable profit for the year and other taxes in the next twelve months and "deferred" the amount of income tax payable in future years.

Deferred tax assets and liabilities include temporary differences, which are identified as the amounts expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their related tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax assets are only recognized for temporary differences to the extent that it is considered probable that the consolidated entities will have sufficient future taxable profits against which the deferred tax assets can be utilized, and the deferred tax assets do not arise from the initial recognition (except in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit or accounting profit. Other deferred tax assets (tax loss and tax credit carryforwards) are only recognized if it is considered probable that the consolidated entities will have sufficient future taxable profits against which they can be utilized.

Income and expenses recognized directly in stockholders equity are accounted for as temporary differences.

The deferred tax assets and liabilities recognized are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Under the current regulation, the expected realization of tax credits based on the Bank's projections of future results and based on technical study, as shown in Note 23.

PIS (Social Integration Program) and COFINS (Tax for Social Security Financing) taxes have been computed at a combined rate of 4.65% on certain gross revenues and expenses. Financial institutions may deduct financial expenses in determining the PIS/COFINS tax basis. PIS and COFINS are considered a profit-base component (net basis of certain revenues and expenses), therefore and accordingly to IAS 12 it is recorded as income taxes.

aa) Consolidated cash flow statements

The following terms are used in the consolidated cash flow statements with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

In preparing the consolidated cash flows statement, the high liquidity investments with insignificant risk of changes in their values were classified as "Cash and cash equivalents". The Bank classifies as cash and cash equivalents balances recorded under "Cash and balance with the Brazilian Central Bank" and "Loans and amounts due from credit institutions" in the consolidated balance sheet, except restricted resources and long-term transactions.

The interest paid and received correspond basically to operating activities of Banco Santander.

3. Change in the scope of consolidation

a) Establishment of foreign subsidiary

Banco Santander established an independent subsidiary in Spain, Santander Brasil Establecimiento Financieiro de Credito, S.A. (Santander EFC), in order to complement the foreign trade strategy for corporate clients - large Brazilian companies and their operations abroad - and offer financial products and services through an offshore entity that is not established in a jurisdiction with favorable tax treatment.

The approval process of the establishment of foreign subsidiary before the regulatory bodies (Bacen, Spanish Ministerio de Economia y Hacienda and by Banco de España) was completed on March, 28, 2012. The paid up share capital of Santander EFC was €748 million.

b) Sale of Zurich Santander Brasil Seguros e Previdência S.A. (formerly Santander Seguros S.A.)

Following the approval by Superintendence of Private Insurance (Susep) on August 23, 2011, we closed the sale on October 5, 2011, by Banco Santander of all shares issued by Zurich Santander Brasil Seguros e Previdência S.A. and indirectly of Zurich Santander Brasil Seguros S.A. (formerly Santander Brasil Seguros S.A.) for (i) Zurich Santander Holding (Spain), SL (Zurich Santander), a holding company based in Spain held 51% (fifty one percent) by the Zurich Financial Services Ltd. and its affiliates (Zurich) and 49% (forty nine percent) by Banco Santander Spain, and (ii) Inversiones ZS America SPA, a company established in Chile and held by Zurich Santander (Inversiones ZS).

This closing effected the transfer, (i) by Banco Santander to ZS Insurance of 11,251,174,948 common shares of Zurich Santander Brasil Seguros e Previdência S.A., and to Inversiones ZS of 3 common shares of Zurich Santander Brasil Seguros e Previdência S.A., and (ii) payment of the preliminary purchase sale price to Banco Santander, net amounts to R$2,741,102 (received in October 5,2011). The assets of Zurich Santander Brasil Seguros e Previdência S.A. R$24,731,463, are primarily composed of R$21,551,422 in debts instruments and equity (public securities, private and fund units specially constituted - guarantors of benefit plans - PGBL / VGBL). The liabilities of Zurich Santander Brasil Seguros e Previdência S.A. amounts R$22,349,428, main represented by R$21,278,718 of liabilities for securities agreements relating to technical provision for insurance operations and pension plans. The gain recognized on this operation was R$424,292, which was recorded as a result on disposal of non-current assets held for sale not classified as discontinued operations. On June 8, 2012 Susep approved the transfer of the direct control of Zurich Santander Brasil Seguros e Previdência S.A. to Zurich Santander Holding (Espanha), S.L., a holding company based in Spain, 100% held by Zurich Santander, and currently the owner of the shares initially transferred to Zurich Santander.

The determination of the final sale and purchase price is pending and will be set appropriately based on the balance sheet to be specially prepared by Zurich Santander Brasil Seguros e Previdência S.A. for the period ended September 30, 2011 released in the first half of 2012 and the price adjustment mechanisms expressly provided for in the Purchase and Sale Agreement dated July 14, 2011. Once set, Banco Santander will disclose the price to the general public and make the offering of preemptive rights to shareholders, in accordance with Article 253 of Law 6.404/1976.

The transaction fits into the context of the strategic partnership between Santander Spain and Zurich, involving the acquisition by Zurich Santander, all property and casualty insurers and life and welfare of Santander Spain in Argentina, Brazil, Chile, Mexico and Uruguay.

As part of the arrangement of the transaction, Banco Santander exclusively distribute the insurance products in the next 25 years, through its network branch, with the exception of automobile insurance that are not included in the exclusivity scope in the arrangement of the transaction. As a result of these contracts, Banco Santander receive a relative payment equivalent to that received before the transaction.

The operation aims to promote and strengthen Banco Santander activities in the insurance market, providing a greater range of products, including classes of customers not currently being reached and leveraging the distribution capabilities of Banco Santander, among others.

c) Partial spin-off of Zurich Santander Brasil Seguros e Previdência S.A. with the transfer of the split portion to Sancap Investimentos e Participações S.A.

In the context of sale transaction of Zurich Santander Brasil Seguros e Previdência S.A., at the extraordinary stockholders' meeting held on April 29, 2011, was approved the partial spin-off of Zurich Santander Brasil Seguros e Previdência S.A. with the transfer of its equity to a new company, constituted in the act of the partial spin-off, under the company name of Sancap Investimentos e Participações S.A. ("Sancap"). The spun-off assets to Sancap is total amounting of R$511,774 and refers only and exclusively to the totality of the participation held by Zurich Santander Brasil Seguros e Previdência capital. The partial spin-off was approved by Susep on August 9, 2011.

4. Cash and balances with the Brazilian Central Bank

Thousands of Reais	2012	2011	2010
Cash and cash equivalents	**4,114,775**	**3,542,707**	**3,158,003**
of which:			
Cash	4,114,775	3,542,707	3,158,003
Money market investments [1]	17,337,140	17,607,917	12,456,450
Central bank compulsory deposits [2]	**34,083,325**	**44,787,379**	**41,185,698**
Total	**55,535,240**	**65,938,003**	**56,800,151**

(1) Includes securities purchased under agreements to resell, long term and not considered cash equivalents.

(2) Central bank compulsory deposits relate to a minimum balance financial institutions are required to maintain with the Brazilian Central Bank based on a percentage of deposits received from third parties, regarded as restricted use of resources.

5. Loans and amounts due from credit institutions

The breakdown, by classification, type and currency, of the balances of "Loans and amounts due from credit institutions" in the consolidated balance sheets is as follows:

Thousands of Reais	2012	2011	2010
Classification:			
Financial assets held for trading	-	-	47,662
Other financial assets at fair value through profit or loss	5,065	60,813	292,034
Loans and receivables	29,913,132	19,628,861	22,658,520
Of which:			
Loans and amounts due from credit institutions, gross	29,988,338	19,690,528	22,658,520
Impairment losses (note 9.c)	(75,206)	(61,667)	-
Loans and amounts due from credit institutions, net	**29,918,197**	**19,689,674**	**22,998,216**
Loans and amounts due from credit institutions, gross	**29,993,403**	**19,751,341**	**22,998,216**
Type:			
Time deposits [2]	8,719,825	7,136,037	9,110,447
Reverse repurchase agreements [1] [2]	3,616,002	1,039,551	599,999
Escrow deposits	7,573,599	6,868,943	7,316,926
Cash and Foreign currency investments [2]	9,921,309	4,247,179	5,826,715
Other accounts	162,668	459,631	144,129
Total	**29,993,403**	**19,751,341**	**22,998,216**
Currency:			
Brazilian Real	21,803,005	15,067,109	17,412,613
US dollar	7,782,694	4,300,075	5,100,831
Euro	406,064	354,078	455,831
Pound sterling	446	4,519	3,046
Other currencies	1,194	25,560	25,895
Total	**29,993,403**	**19,751,341**	**22,998,216**

(1) Collateralized by debt instruments.
(2) Includes R$15,502.905 (2011 - R$ 5,474,700 and 2010 - R$6,188,896), of short-term transactions and low risk of change in its value, considered cash equivalents.

Note 42-d contains a detail of the residual maturity periods of loans and receivables and of the related average interest rates.

6. Debt instruments

The breakdown, by classification, type and currency, of the balances of "Debt instruments" is as follows:

Thousands of Reais	2012	2011	2010
Classification:			
Financial assets held for trading	26,646,708	25,298,804	16,472,413
Other financial assets at fair value through profit or loss	124,187	230,037	224,388
Available-for-sale financial assets	43,044,570	43,300,354	45,477,982
Loans and receivables	269,612	62,062	81,444
Total	**70,085,077**	**68,891,257**	**62,256,227**
Type:			
Government securities - Brazil [1]	57,188,916	56,833,361	55,443,469
Government securities - others	-	-	379,341
Debentures and Promissory notes	8,866,474	8,281,136	4,523,111
Other debt securities	4,029,687	3,776,760	1,910,306
Total	**70,085,077**	**68,891,257**	**62,256,227**
Currency:			
Brazilian Real	69,214,546	68,187,066	61,329,205
US dollar	870,531	704,191	547,681
Euro	-	-	379,341
Total	**70,085,077**	**68,891,257**	**62,256,227**

(1) Includes, substantially, National Treasury Bills (LTN), Treasury Bills (LFT) e National Treasury Notes (NTN-A, NTN-B, NTN-C e NTN-F).

At December 31, 2012, includes R$25,650,177 (2011 - R$34,521,029 and 2010 - R$27,348,766) of debt securities totaling had been assigned to repurchase agreements, R$1,487,183 (2011 - R$2,221,258 and 2010 - R$7,259,356) to compulsory deposits in Central Bank, R$8,146,345 (2011 - R$8,851,981 and 2010 - R$4,316,863) to guarantee BM&FBovespa transactions and R$3,228,030 (2011 - R$3,066,458 and 2010 - R$5,130,939) to escrow deposits and other guarantee. Additionally, in 2010 - R$17,425,576 related coverage of PGBL/VGBL and in 2010 - R$1,502,934 related to other investment funds.

Note 42-d contains a detail of the residual maturity periods of available-for-sale financial assets and of loans and receivables and of the related average interest rates.

7. Equity instruments

a) Breakdown

The breakdown, by classification and type, of the balances of "Equity instruments" is as follows:

Thousands of Reais	2012	2011	2010
Classification:			
Financial assets held for trading	428,589	448,209	3,283,931
Other financial assets at fair value through profit or loss [1]	1,099,066	374,519	17,423,359
Available-for-sale financial assets	1,104,050	1,307,847	1,728,037
Total	**2,631,705**	**2,130,575**	**22,435,327**
Type:			
Shares of Brazilian companies	913,719	1,001,644	1,153,037
Shares of foreign companies	349	1,229	503
Investment fund units and shares [1]	1,717,637	1,127,702	21,281,787
Total	**2,631,705**	**2,130,575**	**22,435,327**

(1) In 2010, includes Investment fund units Guarantors of Benefit Plans - PGBL/VGBL, related to the liabilities for insurance contracts (Note 3.b).

b) Changes

The changes in the balance of "Equity instruments – Financial assets held for trading" were as follows:

Thousands of Reais	2012	2011	2010
Balance at beginning of year	**448,209**	**3,283,931**	**2,544,441**
Changes in the scope of consolidation (note 3.b)	-	(1,643,066)	-
Net additions /disposals	(20,026)	(1,193,006)	360,610
Valuation adjustments	406	350	378,880
Balance at end of year	**428,589**	**448,209**	**3,283,931**

The changes in the balance of "Equity instruments – Other financial assets at fair value through profit or loss" were as follows:

Thousands of Reais	2012	2011	2010
Balance at beginning of year	**374,519**	**17,423,359**	**13,787,109**
Changes in the scope of consolidation (note 3.b)	-	(19,819,585)	-
Net additions /disposals	724,547	374,518	2,480,188
Valuation adjustments [1]	-	2,396,227	1,156,062
Balance at end of year	**1,099,066**	**374,519**	**17,423,359**

(1) Refers to variation of the Investment fund units Guarantors of Benefit Plans - PGBL/VGBL are accounted as income in "Other operating income (expense) - Expense from insurance contracts" net of the variations of their technical provisions.

The changes in the balance of "Equity instruments – Available-for-sale financial assets" were as follows:

Thousands of Reais	2012	2011	2010
Balance at beginning of year	**1,307,847**	**1,728,037**	**1,660,196**
Net changes in the scope of consolidation (note 3.b)	-	(18,539)	-
Net additions /disposals	(201,249)	(319,221)	(22,584)
Valuation adjustments	(2,548)	(82,430)	90,425
Balance at end of year	**1,104,050**	**1,307,847**	**1,728,037**

8. Derivative financial instruments and Short positions

a) Notional amounts and market values of trading and hedging derivatives

a.1) Derivatives Recorded in Memorandum and Balance Sheets

Portfolio Summary of Trading Derivative and Used as Hedge

	2012	2011	2010
Assets			
Swap Differentials Receivable	4,092,378	3,334,672	4,435,651
Option Premiums to Exercise	297,124	208,117	210,232
Forward Contracts and Others	329,633	692,401	487,116
Total	**4,719,135**	**4,235,190**	**5,132,999**
Liabilities			
Swap Differentials Payable	4,327,209	3,485,915	3,766,171
Option Premiums Launched	456,172	537,474	344,734
Forward Contracts and Others	609,717	722,342	644,521
Total	**5,393,098**	**4,745,731**	**4,755,426**

Summary by Category

Trading	December 31, 2012			December 31, 2011		
	Notional	Cost	Market	Notional	Cost	Fair Value
"Swap"		**(116,636)**	**(109,449)**		**(232,234)**	**(195,880)**
Asset	**112,138,690**	**15,982,326**	**16,792,479**	**99,094,099**	**9,085,753**	**9,228,909**
CDI (Interbank Deposit Rates)	34,842,507	4,335,903	4,981,610	32,413,067	8,712,638	8,223,265
Fixed Interest Rate - Real [1]	16,341,376	11,646,423	11,810,869	5,684,619	373,115	1,005,644
Indexed to Price and Interest Rates	14,386,596	-	-	13,259,314	-	-
Indexed to Foreign Currency	46,477,772	-	-	47,621,292	-	-
Others	90,439	-	-	115,807	-	-
Liabilities	**112,255,326**	**(16,098,962)**	**(16,901,928)**	**99,326,333**	**(9,317,987)**	**(9,424,789)**
CDI (Interbank Deposit Rates)	30,506,604	-	-	23,700,429	-	-
Fixed Interest Rate - Real	4,694,953	-	-	5,311,504	-	-
Indexed to Price and Interest Rates	19,509,496	(5,122,900)	(5,512,171)	19,781,674	(6,522,360)	(6,352,475)
Indexed to Foreign Currency [1]	57,406,818	(10,929,046)	(11,355,697)	50,340,717	(2,719,425)	(3,004,037)
Others	137,455	(47,016)	(34,060)	192,009	(76,202)	(68,277)
Options	**266,060,940**	**(94,067)**	**(159,048)**	**266,612,580**	**(217,101)**	**(329,357)**
Purchased Position	**107,224,381**	**228,378**	**297,124**	**110,672,248**	**239,107**	**208,117**
Call Option - US Dollar	1,792,837	44,838	31,993	1,299,890	22,549	39,528
Put Option - US Dollar	1,748,915	24,039	24,087	794,230	2,656	65
Call Option - Other [2]	46,244,224	86,370	45,920	74,456,856	111,458	48,267
Interbank Market	45,411,468	51,667	2,289	73,455,970	62,801	14,994
Others [2]	832,756	34,703	43,631	1,000,886	48,657	33,273
Put Option - Other [2]	57,438,405	73,131	195,124	34,121,272	102,444	120,257
Interbank Market	56,963,540	57,121	185,813	31,754,691	16,250	41,309
Others [2]	474,865	16,010	9,311	2,366,581	86,194	78,948
Sold Position	**158,836,559**	**(322,445)**	**(456,172)**	**155,940,332**	**(456,208)**	**(537,474)**
Call Option - US Dollar	1,453,215	(36,653)	(28,003)	2,842,096	(21,179)	(17,896)
Put Option - US Dollar	1,385,098	(14,684)	(6,036)	2,848,995	(19,867)	(7,683)
Call Option - Other [2]	83,389,536	(152,818)	(103,294)	69,094,441	(187,362)	(100,105)
Interbank Market	81,602,615	(68,927)	(4,241)	67,744,926	(87,838)	(20,471)
Others [2]	1,786,921	(83,891)	(99,053)	1,349,515	(99,524)	(79,634)
Put Option - Other [2]	72,608,710	(118,290)	(318,839)	81,154,800	(227,800)	(411,790)
Interbank Market	71,156,608	(64,771)	(272,536)	78,492,974	(101,163)	(293,479)
Others [2]	1,452,102	(53,519)	(46,303)	2,661,826	(126,637)	(118,311)
Futures Contracts	**61,247,088**	**-**	**-**	**100,361,012**	**-**	**-**
Purchased Position	**40,376,893**	**-**	**-**	**46,879,640**	**-**	**-**
Exchange Coupon (DDI)	2,916,996	-	-	1,727,725	-	-
Interest Rates (DI1 and DIA)	30,144,684	-	-	42,328,562	-	-
Foreign Currency	6,576,093	-	-	2,563,038	-	-
Indexes [3]	133,917	-	-	78,332	-	-
Treasury Bonds/Notes	605,203	-	-	178,570	-	-
Others	-	-	-	3,413	-	-
Sold Position	**20,870,195**	**-**	**-**	**53,481,372**	**-**	**-**
Exchange Coupon (DDI)	14,091,511	-	-	17,359,882	-	-
Interest Rates (DI1 and DIA)	6,556,673	-	-	21,981,554	-	-
Foreign Currency	12,414	-	-	13,923,253	-	-
Indexes [3]	17,926	-	-	38,496	-	-
Treasury Bonds/Notes	191,671	-	-	178,187	-	-
Forward Contracts and Others	**21,766,014**	**166,807**	**(280,085)**	**22,726,891**	**(13,508)**	**(29,941)**
Purchased Commitment	**11,046,667**	**(593,458)**	**197,859**	**11,564,473**	**412,217**	**298,083**
Currencies	11,046,667	(593,458)	197,859	11,556,048	412,217	298,083
Others	-	-	-	8,425	-	-
Sell Commitment	**10,719,347**	**760,265**	**(477,944)**	**11,162,418**	**(425,725)**	**(328,024)**
Currencies	10,797,139	745,350	(185,614)	11,138,022	(442,856)	(272,312)
Others	(77,792)	14,915	(292,330)	24,396	17,131	(55,712)

Summary by Category

Trading	December 31, 2010		
	Notional	Cost	Fair Value
"Swap"		**214,965**	**553,953**
Asset	**89,974,142**	**18,112,297**	**18,374,023**
CDI (Interbank Deposit Rates)	37,384,081	16,589,276	16,865,287
Fixed Interest Rate - Real [1]	3,976,036	1,523,021	1,508,736
Indexed to Price and Interest Rates	11,662,920	-	-
Indexed to Foreign Currency	36,923,396	-	-
Others	27,709	-	-
Liabilities	**89,759,177**	**(17,897,332)**	**(17,820,070)**
CDI (Interbank Deposit Rates)	20,794,805	-	-
Fixed Interest Rate - Real	2,453,015	-	-
Indexed to Price and Interest Rates	15,021,487	(3,358,567)	(3,084,207)
Indexed to Foreign Currency [1]	51,237,260	(14,313,864)	(14,522,887)
Others	252,610	(224,901)	(212,976)
Options	**363,612,753**	**(100,091)**	**(134,502)**
Purchased Position	**166,047,798**	**236,074**	**210,232**
Call Option - US Dollar	3,594,587	58,198	58,218
Put Option - US Dollar	1,627,126	21,356	43,853
Call Option - Other [2]	94,486,883	101,476	72,435
Put Option - Other [2]	66,339,202	55,044	35,726
Sold Position	**197,564,955**	**(336,165)**	**(344,734)**
Call Option - US Dollar	4,162,415	(70,646)	(91,393)
Put Option - US Dollar	2,967,037	(16,312)	(8,485)
Call Option - Other [2]	108,921,695	(143,211)	(126,295)
Put Option - Other [2]	81,513,808	(105,996)	(118,561)
Futures Contracts	**94,302,441**	**-**	**-**
Purchased Position	**50,679,903**	**-**	**-**
Exchange Coupon (DDI)	2,856,706	-	-
Interest Rates (DI1 and DIA)	47,296,910	-	-
Foreign Currency	171,136	-	-
Indexes [3]	267,987	-	-
Treasury Bonds/Notes	59,975	-	-
Others	27,189	-	-
Sold Position	**43,622,538**	**-**	**-**
Exchange Coupon (DDI)	5,504,291	-	-
Interest Rates (DI1 and DIA)	33,908,636	-	-
Foreign Currency	3,862,750	-	-
Indexes [3]	205,387	-	-
Treasury Bonds/Notes	141,474	-	-
Forward Contracts and Others	**14,459,141**	**(459,223)**	**(157,406)**
Purchased Commitment	**6,561,234**	**44,204**	**(78,006)**
Currencies	6,559,748	44,204	(78,006)
Others	1,486	-	-
Sell Commitment	**7,897,907**	**(503,427)**	**(79,400)**
Currencies	7,759,347	(513,819)	(216,147)
Others	138,560	10,392	136,747

(1) Includes credit derivatives.
(2) Includes stock options, indices and commodities.
(3) Includes Bovespa index and S&P.

a.2) Derivatives Financial Instruments by Counterparty

Notional				2012	2011	2010
	Customers	Related Parties	Financial Institutions [1]	Total	Total	Total
"Swap"	33,630,063	42,741,605	35,767,022	112,138,690	99,094,099	89,974,142
Options	2,918,952	-	263,141,988	266,060,940	266,612,580	363,612,753
Futures Contracts	-	-	61,247,088	61,247,088	100,361,012	94,302,441
Forward Contracts and Others	11,604,943	10,103,294	57,777	21,766,014	22,726,891	14,459,141

(1) Includes trades with the BM&FBovespa and other securities and commodities exchanges.

a.3) Derivatives Financial Instruments by Maturity

Notional				2012	2011	2010
	Up to 3 Months	From 3 to 12 Months	Over 12 Months	Total	Total	Total
"Swap"	18,705,291	24,461,642	68,971,757	112,138,690	99,094,099	89,974,142
Options	149,205,432	68,038,209	48,817,299	266,060,940	266,612,580	363,612,753
Futures Contracts	21,798,030	7,963,925	31,485,133	61,247,088	100,361,012	94,302,441
Forward Contracts and Others	12,750,815	5,274,876	3,740,323	21,766,014	22,726,891	14,459,141

a.4) Derivatives by Market Trading

Notional				2012	2011	2010
	Stock Exchange [1]	Cetip [2]	Over the Counter	Total	Total	Total
"Swap"	26,772,074	49,280,886	36,085,730	112,138,690	99,094,099	89,974,142
Options	264,359,394	1,701,546	-	266,060,940	266,612,580	363,612,753
Futures Contracts	61,247,088	-	-	61,247,088	100,361,012	94,302,441
Forward Contracts and Others	3,077	14,409,872	7,353,065	21,766,014	22,726,891	14,459,141

(1) Includes trades with the BM&FBovespa and other securities and commodities exchanges.
(2) Includes amount traded on other clearinghouses.

a.5) Credit Derivatives

Transactions involving credit derivatives are carried out in order to reduce or eliminate exposure to specific risks arising from the purchase or sale of assets within the concept of credit portfolio management.

The volume of credit derivatives with total return rate – credit risk received corresponds to R$607,119 of cost (2011 - R$557,327 and 2010 - R$495,066) and R$669,507 of fair value (2011 - R$500,425 and 2010 - R$444,330). During the period there were no credit events related to events provided for in the contracts.

Required base capital used amounted to R$3,585 (December 31, 2011, R$3,291 and 2010 - R$8,121).

a.6) Derivatives Used as Hedge Instruments

Derivatives used as hedge by index are as follows:

Market Risk Hedge

	2012			2011		
	Cost	Adjustment to Market	Fair Value	Cost	Adjustment to Market	Fair Value
Hedge Instruments						
Swap Contracts	**59,148**	**(147,817)**	**(88,669)**	**74,928**	**1,247**	**76,175**
Asset	**1,581,458**	**105,351**	**1,686,809**	**417,731**	**35,864**	**453,595**
CDI (Interbank Deposit Rates)	1,039,229	5,241	1,044,470	145,940	771	146,711
Indexed to Foreign Currency - Libor - US Dollar	255,056	24,302	279,358	271,791	35,093	306,884
Indexed to Foreign Currency - EURO	287,173	75,808	362,981	-	-	-
Liabilities	**(1,522,310)**	**(253,168)**	**(1,775,478)**	**(342,803)**	**(34,617)**	**(377,420)**
Indexed to Foreign Currency - US Dollar [1]	(1,070,666)	(185,072)	(1,255,738)	(101,410)	(908)	(102,318)
Indexed to Price Indexes and Interest [2]	(245,530)	(50,678)	(296,208)	-	-	-
Indexed to Foreign Currency - Fixed Interest US Dollar [3]	(35,076)	(3,062)	(38,138)	(55,498)	(5,067)	(60,565)
CDI (Interbank Deposit Rates) [4]	(171,038)	(14,356)	(185,394)	(185,895)	(28,642)	(214,537)
Hedge Item						
Assets	**1,593,371**	**119,818**	**1,713,189**	**342,473**	**3,787**	**346,260**
Lending Operation	**1,229,701**	**83,785**	**1,313,486**	**342,473**	**3,787**	**346,260**
Indexed to Foreign Currency - US Dollar	1,021,123	93,162	1,114,285	100,871	1,450	102,321
Indexed to Foreign Currency - Fixed Interest US Dollar	35,094	676	35,770	55,663	4,902	60,565
CDI (Interbank Deposit Rates)	173,484	(10,053)	163,431	185,939	(2,565)	183,374
Securities	**363,670**	**36,033**	**399,703**	**-**	**-**	**-**
Securities Available for Sale - Debentures	363,670	36,033	399,703	-	-	-

(1) Instruments whose the hedge item are loan operations indexed in foreign currency - dollar with fair value R$1,114,285 (2011 - R$102,321) and securities shown by debentures with fair value R$133,273.
(2) Instruments whose the hedge item are securities shown by debentures with fair value R$266,430.
(3) Instruments whose the hedge item are loan operations indexed in foreign currency fixed interest - US dollar with fair value R$35,770 (2011 - R$60,565).
(4) Instruments whose the hedge item are loan operations indexed in CDI with fair value R$163,431 (2011 - R$183,374).

	2010		
	Cost	Adjustment to Market	Fair Value
Hedge Instruments			
Swap Contracts	**118,348**	**115,528**	**(2,821)**
Asset	**549,276**	**557,766**	**8,489**
CDI (Interbank Deposit Rates)	424,211	426,852	2,640
Indexed to Foreign Currency - Libor - US Dollar	125,065	130,914	5,849
Liabilities	**(430,928)**	**(442,238)**	**(11,310)**
Indexed to Foreign Currency - US Dollar [1]	(305,837)	(311,367)	(5,530)
Indexed to Foreign Currency - Fixed Interest US Dollar [2]	(125,091)	(130,871)	(5,780)
Hedge Item			
Assets	**429,896**	**443,446**	**13,550**
Lending Operation	**429,896**	**443,446**	**13,550**
Indexed to Foreign Currency - US Dollar	304,794	311,381	6,587
Indexed to Foreign Currency - Fixed Interest US Dollar	125,102	132,065	6,963

(1) Instruments that hedge Item are the loan operations indexed on foreign currency - dollar with fair value of R$304,794.
(2) Instruments that hedge Item are the loan operations indexed on foreign currency - pre dollar with fair value of R$125,102.

Cash Flow Hedge

		2012		
	Reference Value	Cost	Adjustment to Fair Value	Fair Value
Hedge Instruments				
Swap Contracts		**(18,866)**	**(17,846)**	**(36,713)**
Asset	**818,997**	**818,997**	**60,173**	**879,170**
Indexed to Foreign Currency - Swiss Franc [1]	678,335	678,335	53,619	731,954
Indexed to Pre Interest Rate - Chilean Peso [2]	91,379	91,379	6,584	97,963
Indexed to Foreign Currency - Iuan [3]	49,283	49,283	(30)	49,253
Liabilities	**(837,864)**	**(837,863)**	**(78,019)**	**(915,883)**
Indexed to Foreign Currency - Pre Dollar	(837,864)	(837,863)	(78,019)	(915,883)
Future Contracts	**34,567,439**	**-**	**-**	**-**
DI1 Rate [4]	18,962,863	-	-	-
Foreign Currency - Dollar [5]	15,604,576	-	-	-

	2011			
	Reference Value	Cost	Adjustment to Fair Value	Fair Value
Hedge Instruments				
Swap Contracts		**(30,354)**	**(1,184)**	**(31,538)**
Asset	**651,490**	**651,490**	**26,989**	**678,479**
Indexed to Foreign Currency - Swiss Franc [1]	300,488	300,488	25,792	326,280
Indexed to Pre Interest Rate - Real [6]	351,002	351,002	1,197	352,199
Liabilities	**(681,844)**	**(681,844)**	**(28,173)**	**(710,017)**
Indexed to Foreign Currency - Pre Dollar	(681,844)	(681,844)	(28,173)	(710,017)
Future Contracts	**(1,794,034)**	**-**	**-**	**-**
DI1 Rate [4]	(1,794,034)	-	-	-

	2010			
	Reference Value	Cost	Adjustment to Fair Value	Fair Value
Hedge Instruments				
Future Contracts	**(6,850,698)**	**-**	**-**	**-**
DI1 Interest Rate [7] [8]	(6,850,698)	-	-	-

	2012	2011	2010
Hedge Item - Cost			
Assets	**15,538,109**	**-**	**-**
Lending Operations - Financing and Export Credit and Imports	15,538,109	-	-
Liabilities	**19,607,312**	**2,518,986**	**7,385,636**
Eurobonds	820,077	300,803	-
Deposits from credit institutions - Foreign Loans	-	351,002	-
Times deposits	18,787,235	1,867,181	7,385,636

(1) Operation with maturing on December 1, 2014 and April 12, 2016 hedge item of eurobonds transactions.

(2) Operation with maturing on April 13,2016, and hedge item of eurobonds transactions.
(3) Operation with maturing on December 24, 2014, and hedge item of eurobonds transactions.

(4) Operation with maturing on January 2, 2014, and the updated amount of instruments is R$18,237,294 (2011 - R$1,812,796) hedge item of bank certificate deposits - CDB.
(5) Operation with maturing on January 31, 2013 and the updated amount of instruments is R$15,531,390 hedge item are lending operations - import and export credit and financing.

(6) Operation with maturing on June 15, 2012, and hedge item of foreign borrowings operations.

(7) Operation with maturing on January 2, 2012, and item objects of CDB.

(8) In the first quarter of 2011, due to the business strategy, the structures of cash flow hedge has a hedged item bank certificates deposit - CDB were discontinued, and the effect of debt on stockholders equity was amortized up to January 2012, remaining term of the hedging instruments.

The effect of marking to market the swaps and future contracts corresponds to a debit in the amount of R$258,555 (2011 to a credit in the amount of R$15,149 and on 2010 a debit amounting R$186,578) accounted on atockholders equity, net of tax effects.

There was not identified any ineffective portion to be recorded in income for the accounting period.

Investment Hedge

On December 31, 2012, the Bank has recorded a transaction of investment hedge on its stake in Santander EFC, with notional value of R$1,829,288, maturing between June to September 2013 and the effect of R$182,046, of exchange recorded in equity, net of tax effects. Was not identified any ineffective portion in the effectiveness test to be recorded in the consolidated income statement.

a.7) Derivatives Pledged as Guarantee

The guarantee margin transactions traded on the BM&FBovespa derivative financial instruments themselves and others is composed of government securities.

	2012	2011	2010
Financial Treasury Bill - LFT	1,421,634	1,181,181	1,066,971
National Treasury Bill - LTN	3,699,901	4,363,944	67,955
National Treasury Notes - NTN	3,024,811	3,306,856	3,036,532
Total	**8,146,346**	**8,851,981**	**4,171,458**

9. Loans and advances to customers

a) Breakdown

The breakdown, by classification, of the balances of “Loans and advances to customers” in the consolidated balance sheets is as follows:

Thousands of Reais	2012	2011	2010
Loans and receivables[1]	196,774,297	183,066,268	151,366,561
Of which:			
Loans and receivables at amortized cost	210,740,669	194,184,437	160,558,323
Impairment losses	(13,966,372)	(11,118,169)	(9,191,762)
Loans and advances to customers, net	**196,774,297**	**183,066,268**	**151,366,561**
Loans and advances to customers, gross	**210,740,669**	**194,184,437**	**160,558,323**

(1) During the year of 2012 the Banco Santander, through its wholly subsidiary in Spain, acquired by Banco Santander SA - New York Branch and London Branch, under commutative conditions, portfolio of financing contracts to export and import, related to operations contracted with Brazilian clients or their affiliates abroad, totaling US$29 million and US$90 million equivalent to R$60 million and R$121 million respectively, the exchange rate of the days when there were operations. These transactions were concluded, noting the Policy for Transactions with Related Parties of the Bank, including approval by the Board of Directors.

Thousands of Reais	2012	2011	2010
Type:			
Loans operations [1]	208,636,512	192,681,804	159,184,714
Repurchase agreements	407,694	337,986	167,163
Other receivables	1,696,463	1,164,647	1,206,446
Total	**210,740,669**	**194,184,437**	**160,558,323**

(1) Includes loans, leasing and other loans with credit characteristics.

Note 42-d contains a detail of the residual maturity periods of loans and receivables and of the related average interest rates.

There are no loans and advances to customers for material amounts without fixed maturity dates.

b) Detail

Following is a detail, by loan type and status, borrower sector and interest rate formula, of the loans and advances to customers, which reflect the Bank's exposure to credit risk in its core business, gross of impairment losses:

Thousands of Reais	2012	2011	2010
Loan borrower sector:			
Commercial, financial and industrial	103,208,796	94,921,748	78,101,177
Real estate-construction	7,788,750	6,280,168	5,392,015
Real estate-mortgage	12,318,212	10,017,772	6,698,125
Installment loans to individuals	83,243,281	76,458,873	60,250,581
Lease financing	4,181,630	6,505,876	10,116,425
Total [1]	**210,740,669**	**194,184,437**	**160,558,323**

(1) It includes commercial credit, secured loans, reverse repurchase agreements, finance leases, other term loans and impaired assets.

Interest rate formula:			
Fixed interest rate	153,505,996	133,503,436	98,669,915
Floating rate	57,234,673	60,681,001	61,888,408
Total	**210,740,669**	**194,184,437**	**160,558,323**

c) Impairment losses

The changes in the allowances for the impairment losses on the balances of "Loans and receivables" were as follows:

Thousands of Reais	2012	2011	2010
Balance at beginning of year	**11,179,836**	**9,191,762**	**10,070,479**
Impairment losses charged to income for the year	18,003,906	11,190,886	9,050,547
Of which:			
Commercial, financial and industrial	5,776,813	2,943,221	3,097,195
Real estate-mortgage	148,847	97,472	70,538
Installment loans to individuals	11,794,298	7,972,084	5,780,316
Lease finance	283,948	178,109	102,498
Write-off of impaired balances against recorded impairment allowance	(15,142,164)	(9,202,812)	(9,929,264)
Of which:			
Commercial, financial and industrial	(4,991,510)	(2,469,617)	(3,209,180)
Real estate-mortgage	(48,071)	(36,447)	(42,026)
Installment loans to individuals	(9,855,295)	(6,484,338)	(6,508,585)
Lease finance	(247,288)	(212,410)	(169,473)
Balance at end of year	**14,041,578**	**11,179,836**	**9,191,762**
Of which:			
Loans and advances to customers	**13,966,372**	**11,118,169**	**9,191,762**
Loans and amounts due from credit institutions (Note 5)	**75,206**	**61,667**	**-**

Thousands of Reais	2012	2011	2010
Recoveries of loans previously charged off	**1,528,291**	**1,809,337**	**817,635**
Of which:			
Commercial, financial and industrial	456,160	352,638	88,507
Real estate-mortgage	64,341	65,323	68,792
Installment loans to individuals	959,900	1,331,104	634,779
Lease finance	47,890	60,272	25,557

Taking into account these amounts recognized in "Impairment losses charged to income for the year" and the "Recoveries of loans previously charged off", the "Impairment losses on financial assets - Loans and receivables" amounted to R$16,475,615 in 2012, R$9,381,549 in 2011 and R$8,232,912 in 2010.

d) Impaired assets

The detail of the changes in the balance of the financial assets classified as "Loans and receivables – loans and advances to customers" and considered to be impaired due to credit risk is as follows:

Thousands of Reais	2012	2011	2010
Balance at beginning of year	**13,072,693**	**9,348,648**	**9,899,884**
Net additions	18,126,605	12,926,857	9,378,028
Derecognized assets	(15,142,164)	(9,202,812)	(9,929,264)
Balance at end of year	**16,057,134**	**13,072,693**	**9,348,648**

Following is a detail of the financial assets considered to be impaired classified by age of the oldest past-due amount:

Thousands of Reais	2012	2011	2010
With no Past-Due Balances or Less than 3 Months Past Due	4,567,148	5,480,930	3,002,651
With Balances Past Due by			
3 to 6 Months	5,282,229	2,473,485	2,450,311
6 to 12 Months	5,609,819	4,342,172	3,171,528
12 to 18 Months	484,835	445,032	372,151
18 to 24 Months	66,111	311,679	293,796
More than 24 Months	46,992	19,395	58,211
Total	**16,057,134**	**13,072,693**	**9,348,648**

e) Loan past due for less than 90 days but not classified as impaired

Thousands of Reais	2012	% of total loans past due for less than 90 days	2011	% of total loans past due for less than 90 days
Commercial and industrial	7,070,941	36.40%	3,588,483	22.50%
Mortgage loans	1,304,674	6.70%	2,974,921	18.70%
Installment loans to individuals	10,346,596	53.30%	8,312,749	52.20%
Financial Leasing	702,640	3.60%	1,055,795	6.60%
Total[1]	**19,424,851**	**100.00%**	**15,931,948**	**100.00%**

(1) Refers only to loans past due between 1 and 90 days.

f) Lease portfolio at present value

Thousands of Reais	2012	2011	2010
Gross investment in lease transactions	4,882,797	7,991,849	12,921,149
Lease receivables	3,714,457	5,720,996	8,721,847
Unrealized residual values [1]	1,168,340	2,270,853	4,199,302
Unearned income on lease	(3,622,469)	(5,570,537)	(8,496,306)
Offsetting residual values	(1,168,340)	(2,270,853)	(4,199,302)
Leased property and equipment	11,738,066	16,485,919	21,304,308
Accumulated depreciation	(8,242,886)	(11,346,459)	(12,324,135)
Excess depreciation	4,768,240	8,049,256	9,805,118
Losses on unamortized lease	171,659	198,119	166,451
Advances for guaranteed residual value	(4,355,504)	(7,050,545)	(9,107,457)
Other assets	10,067	19,127	46,599
Total	**4,181,630**	**6,505,876**	**10,116,425**

(1) Guaranteed residual value of lease agreements.

Leasing unrealized financial income (Income to appropriate related to Minimum payments to receive) is R$701,167 (2011 - R$1,485,973 and 2010 - R$2,804,729).

As of December 31, 2012, 2011 and 2010 there were no material agreements for lease contracts.

Breakdown by maturity

Gross investment in lease transactions

Thousands of Reais	2012	2011	2010
Overdue	144,586	214,378	322,851
Due to:			
Up to 1 year	2,504,585	3,728,746	5,207,603
From 1 to 5 years	2,225,247	4,042,054	7,384,925
Over 5 years	8,379	6,671	5,770
Total	**4,882,797**	**7,991,849**	**12,921,149**

Report per lease portfolio maturity at present value

Thousands of Reais	2012	2011	2010
Overdue	96,689	143,337	228,222
Due to:			
Up to 1 year	2,353,900	3,427,190	4,796,604
From 1 to 5 years	1,727,902	2,932,795	5,089,299
Over 5 years	3,139	2,554	2,300
Total	**4,181,630**	**6,505,876**	**10,116,425**

g) Transfer of financial assets with retention of risks and benefits

In December 2011, the Bank transferred to a third party real estate loan and advances with various maturities up to October 2041 with recourse amounting to R$688,821. As such, the Bank concluded that it has retained the risks and benefits associated with such loan and advances and, accordingly, did not derecognize those loan and advances to custormers. On December 31, 2012, the amounts pertaining to those real estate loan and advances were R$508,714 (2011 - R$686,587), and R$495.467 (2011 - R$686,015).

The foregoing transfer was conducted with a recourse clause and the mandatory repurchase is provided for in the following events:

- agreements in default for longer than 90 consecutive days;
- agreements under renegotiation;
- agreements subject to portability, pursuant to Resolution 3,401 of the Brazilian Monetary Council (CMN);
- agreements subject to intervenience.

The amount of mandatory repurchase will be calculated based on the outstanding balance of credit duly updated on the date of said repurchase.

As of the date of assignment, the cash flows of assigned operations will be paid directly to the assigning entity.

10. Non-current assets held for sale

At December 31, 2012, 2011 and 2010, the total amount of non-current assets held for sale includes foreclosed assets and other tangible assets. The change in the "Non-current assets held for sale" is as follows:

Thousands of Reais	2012	2011	2010
Balance at beginning of year	**223,374**	**167,526**	**355,285**
Foreclosures loans and other assets transferred [1]	112,697	24,874,974	38,037
Sales [1] [2]	(29,987)	(24,819,126)	(225,796)
Others	9,231	-	-
Final balance, gross [3]	**315,315**	**223,374**	**167,526**
Impairment losses	(149,605)	(90,986)	(100,705)
Impairment as a percentage of foreclosed assets	47.45%	40.73%	60.11%
Balance at end of year	**165,710**	**132,388**	**66,821**

(1) In 2011, includes R$24,731,463 of assets of Zurich Santander Brasil Seguros e Previdência S.A. Additionally, were sold R$22,349,428 of liabilities directly associated with non-current assets held for sale of Zurich Santander Brasil Seguros e Previdência S.A. The assets and liabilities related to the sale of Zurich Santander Brasil Seguros e Previdência S.A (note 3.b) are presented at net amount on cash flow statement.
(2) Includes sale of administrative buildings, and in 2010, mainly related to the move to new headquarter.
(3) Refers mainly to buildings and vehicles due to executions of loans.

11. Investments in associates and joint ventures

a) Breakdown

The breakdown, by company, of the balance of "Investments in associates" (see note 2-b) is as follows:

Thousands of Reais	Participation %			Investments		
	2012	2011	2010	2012	2011	2010
Companhia de Crédito, Financiamento e Investimento RCI Brasil [1] [2]	39.89%	39.64%	39.58%	413,047	132,514	106,939
Companhia de Arrendamento Mercantil RCI Brasil [1] [2]	-	39.88%	39.88%	-	232,017	202,825
Norchem Participações e Consultoria S.A. [1] [3]	50.00%	50.00%	50.00%	**23,369**	22,528	28,525
Norchem Holding e Negócios S.A. [3]	21.75%	21.75%	21.75%	**22,666**	24,200	22,325
Cibrasec - Companhia Brasileira de Securitização [3] [4]	13.64%	13.64%	13.64%	**10,285**	10,287	9,972
Estruturadora Brasileira de Projetos S.A. - EBP [3] [4]	11.11%	11.11%	-	**2,726**	679	-
Total				**472,093**	**422,225**	**370,586**

Thousands of Reais	Results from companies accounted for by the equity method		
	2012	2011	2010
Companhia de Crédito, Financiamento e Investimento RCI Brasil [1] [2]	68,534	25,424	21,025
Companhia de Arrendamento Mercantil RCI Brasil [1] [2]	-	29,102	18,017
Norchem Participações e Consultoria S.A. [1] [3]	841	(2,973)	2,432
Norchem Holding e Negócios S.A. [3]	1,076	4,074	1,780
Cibrasec - Companhia Brasileira de Securitização [3] [4]	825	909	166
Celta Holding S.A. [5]	-	-	522
Estruturadora Brasileira de Projetos S.A. - EBP [3] [4]	2,046	(2,320)	-
Total	**73,322**	**54,216**	**43,942**

(1) Joint-controlled company.

(2) At the Extraordinary General Meeting held on May 31, 2012 of Companhia de Arrendamento Mercantil RCI Brasil (Leasing RCI Brasil) and Companhia de Crédito, Financiamento e Investimento RCI Brasil (Financeira RCI Brasil), their respective shareholders approved the proposed merger of shares of Leasing RCI Brasil to the equity of Financeira RCI Brasil on the base date of March 31, 2012 becoming the Leasing RCI Brasil an indirect participation of the Bank. On August 28, 2012 this process was approved by the Bacen.
(3) Companies delayed by one month for the calculation of equity.

(4) Although the participations was less than 20%, the Bank exercises control over the entity together with other major shareholders through a shareholders' agreement where no business decision can be taken by a single shareholder.
(5) Investment sold in 2010.
(*) Associates companies and joint ventures do not have their shares listed on the Stock Exchange.
(**) The Bank does not have collateral with associates and joint ventures.
(***) The Bank does not have contingent liabilities with significant risk of possible losses related to investments in affiliates.

b) Changes

The changes in the balance of this item were as follows:

Thousands of Reais	2012	2011	2010
Balance at beginning of year	**422,225**	**370,586**	**419,122**
Capital increases	-	6,107	-
Additions	-	2,999	-
Disposals and capital reductions	-	-	(59,267)
Income from companies accounted for by the equity method	**73,322**	54,216	43,942
Dividends proposed/received	**(23,437)**	(11,975)	(33,211)
Others	**(17)**	292	-
Balance at end of year	**472,093**	**422,225**	**370,586**

c) Impairment losses

No impairment losses was recognized on investments in associates and joint ventures in 2012, 2011 and 2010.

d) Other disclosures

Following is a summary of the financial information on the associates and joint ventures (obtained from the information available at the reporting date).

Thousands of Reais	2012	2011	2010
Total assets	10,150,144	6,344,404	3,786,154
Total liabilities	8,004,560	5,190,461	2,721,128
Total revenues	1,823,355	1,389,839	1,087,588
Total profit	321,766	156,549	134,577

12. Tangible assets

Tangible assets of the Bank relate to property, plant and equipment for own use. The Bank does not have tangible assets held as investment property nor leased out under operating leases. The Bank is also not a part of any financial lease contracts as of and during fiscal years ended December 31, 2012, 2011 and 2010.

a) Breakdown

The detail, by class of asset, of the tangible assets in the consolidated balance sheets is as follows:

In thousand of reais

Cost	Land and buildings	IT equipment and fixtures	Furniture and vehicles	Works in progress and others	Total
Balance at beginning of the year	**2,098,622**	**1,233,776**	**2,068,058**	-	**5,400,456**
Additions	252,924	122,707	942,975	1,263	1,319,869
Write-off	(638)	(37,858)	(133,854)	-	(172,350)
Transfers	(130,989)	(1,619)	123,809	-	(8,799)
Others changes	6,256	-	-	-	6,256
Balance at December 31, 2010	**2,226,175**	**1,317,006**	**3,000,988**	**1,263**	**6,545,432**
Changes in the scope of consolidation (note 3.b)	(2,093)	(626)	(272)	-	(2,991)
Additions	204,222	25,302	843,643	1,569	1,074,736
Write-off	(5,482)	(16,827)	(52,000)	-	(74,309)
Transfers	24,832	204,956	(206,278)	-	23,510
Balance at December 31, 2011	**2,447,654**	**1,529,811**	**3,586,081**	**2,832**	**7,566,378**
Additions	272,599	4,586	1,169,292	927	1,447,404
Write-off	(72,188)	(71,962)	(41,473)	-	(185,623)
Transfers	567	498,412	(188,798)	-	310,181
Balance at December 31, 2012	**2,648,632**	**1,960,847**	**4,525,102**	**3,759**	**9,138,340**
Accumulated depreciation					
Balance at beginning of the year	**(220,186)**	**(747,826)**	**(644,622)**	**-**	**(1,612,634)**
Additions	(48,972)	(141,093)	(297,561)	-	(487,626)
Write-off	(395)	36,790	97,846	-	134,241
Balance at December 31, 2010	**(269,553)**	**(852,129)**	**(844,337)**		**(1,966,019)**
Changes in the scope of consolidation (note 3.b)	524	556	184	-	1,264
Additions	(59,259)	(163,854)	(347,019)	-	(570,132)
Write-off	2,255	15,548	33,867	-	51,670
Transfers	(23,662)	(32)	187	-	(23,507)
Balance at December 31, 2011	**(349,695)**	**(999,911)**	**(1,157,118)**	**-**	**(2,506,724)**
Additions	(59,673)	(242,026)	(423,291)	-	(724,990)
Write-off	42,123	59,006	18,304	-	119,433
Transfers	-	(50,911)	3	-	(50,908)
Balance at December 31, 2012	**(367,245)**	**(1,233,842)**	**(1,562,102)**	**-**	**(3,163,189)**

Impairment	Land and buildings	IT equipment and fixtures	Furniture and vehicles	Works in progress and others	Total
Balance at beginning of the year	**(86,053)**	**-**	**-**	**-**	(86,053)
Impacts on results	1,317	-	-	-	1,317
Write-off by sale	23,432	-	-	-	23,432
Balance at December 31, 2010	**(61,304)**	**-**	**-**	**-**	**(61,304)**
Impacts on results	9,956	-	-	-	9,956
Balance at December 31, 2011	**(51,348)**	**-**	**-**	**-**	**(51,348)**
Impacts on results	14,425	-	-	-	14,425
Balance at December 31, 2012	**(36,923)**	**-**	**-**	**-**	**(36,923)**
Carrying amount					
Balance at December 31, 2010	**1,895,318**	**464,877**	**2,156,651**	**1,263**	**4,518,109**
Balance at December 31, 2011	**2,046,611**	**529,900**	**2,428,963**	**2,832**	**5,008,306**
Balance at December 31, 2012	**2,244,464**	**727,005**	**2,963,000**	**3,759**	**5,938,228**

The depreciation expenses has been included in the line item “Depreciation and amortization” in the income statement.

b) Tangible asset purchase commitments

On December 31, 2012 the Bank has contractual commitments for the purchase of tangible assets in the amount of R$18,872.

13. Intangible assets - Goodwill

The goodwill recorded is subject to impairment test at least annually or in a short period, whenever there are indications of impairment and was allocated according to the operating segments (note 43).

The base used to evaluate the impairment test is the value in use, for this purpose, is estimated cash flow for a period of 10 years, done with help of a third independent expert and reviewed and approved by the Executive Board, horizon considered adequate to determine the economic value in the case of a cash-generating unit with prospects of continuing the activity level of its operations. The cash flow was prepared considering several factors, including: (i) macro-economic projections of interest rates, inflation, exchange rate and other, (ii) the conduct and growth estimates of the financial system (iii) increased costs, returns, synergies and investment plan, (iv) the behavior of customers, and (v) growth rate and adjustments applied to flows in perpetuity. The adoption of these estimates involves the likelihood of future events and changing some of these factors could have a different result.

Based on the assumptions described above the tests carried out did not identify any impairment to goodwill in 2012, 2011 and 2010.

Thousands of Reais	**2012**	**2011**	**2010**
Breakdown:			
Banco ABN Amro Real S.A.	27,217,565	27,217,565	27,217,565
Real Seguros Vida e Previdência	-	-	1,094,671
Total	**27,217,565**	**27,217,565**	**28,312,236**
Operating segments:			
Commercial Banking	27,217,565	27,217,565	27,217,565
Asset Management and Insurance	-	-	1,094,671
Total	**27,217,565**	**27,217,565**	**28,312,236**

	Commercial Banking			**Asset Management and Insurance [3]**
	2012	**2011**	**2010**	**2010**
Main assumptions:				
Basis of determining recoverable amounts	Value in use: cash flows			
Period of the projections of cash flows [1]	10 years	10 years	10 years	7 years
Growth rate	6.0%	5.0%	5.0%	5.0%
Discount rate [2]	15.0%	15.2%	15.5%	16.7%

(1) The projections of cash flow are prepared using internal budget and growth plans of the administration, based on historical data, market expectations and conditions such as industry growth, interest hate and inflation.
(2) The discount rate is calculated based on the capital asset pricing model (CAPM).
(3) In 2011, the amount of Real Seguros Vida e Previdência was redeemed based on the process of the sale of the Venda da Zurich Santander Brasil Seguros e Previdência S.A. (note 3.b).

The changes of goodwill in December, 31 2012, 2011 and 2010 were as follows:

Thousands of Reais	**2012**	**2011**	**2010**
Balance at beginning of the year	**27,217,565**	**28,312,236**	**28,312,236**
Disposals:			
Real Seguros Vida e Previdência[1]	-	(1,094,671)	-
Balance at end of the year	**27,217,565**	**27,217,565**	**28,312,236**

(1) In 2011, includes the write-off of the goodwill related to Real Seguros Vida e Previdência, due the sale of the all shares of Zurich Santander Brasil Seguros e Previdência S.A (note 3.b).

14. Intangible assets - Other intangible assets

a) Breakdown

The details by asset category of the "other intangible assets" of the consolidated balance sheets are as follow:

Cost	IT developments	Customer relationship	Other assets	Total
Balance at beginning of the year	**1,711,000**	**4,288,031**	**237,517**	**6,236,548**
Additions	828,024	451,387	11,880	1,291,291
Write-off	(142,600)	(123,012)	-	(265,612)
Transfers	9,069	(270)	-	8,799
Balance at December 31, 2010	**2,405,493**	**4,616,136**	**249,397**	**7,271,026**
Changes in the scope of consolidation (note 3)	(21,727)	-	-	(21,727)
Additions	862,645	668,248	14,846	1,545,739
Write-off	(264,502)	(770,126)	(58,750)	(1,093,378)
Transfers	-	-	4	4
Balance at December 31, 2011	**2,981,909**	**4,514,258**	**205,497**	**7,701,664**
Additions	755,249	958,313	9,250	1,722,812
Write-off	(3,962)	(870,740)	-	(874,702)
Transfers	(310,160)	-	-	(310,160)
Balance at December 31, 2012	**3,423,036**	**4,601,831**	**214,747**	**8,239,614**
Accumulated amortization				
Balance at beginning of the year	**(655,186)**	**(1,329,262)**	**(139,250)**	**(2,123,698)**
Additions	(146,254)	(582,489)	(21,041)	(749,784)
Write-off	19,386	38,896	-	58,282
Balance at December 31, 2010	**(782,054)**	**(1,872,855)**	**(160,291)**	**(2,815,200)**
Changes in the scope of consolidation (note 3)	-	18,974	-	18,974
Additions	(416,878)	(461,646)	(13,378)	(891,902)
Write-off	213,304	614,409	-	827,713
Transfers	(7)	-	-	(7)
Balance at December 31, 2011	**(985,635)**	**(1,701,118)**	**(173,669)**	**(2,860,422)**
Additions	(463,637)	(630,225)	(12,248)	(1,106,110)
Write-off	-	559,466	-	559,466
Transfers	50,887	-	-	50,887
Balance at December 31, 2012	**(1,398,385)**	**(1,771,877)**	**(185,917)**	**(3,356,179)**
Impairment - IT				
Balance at beginning of the year	**(65,046)**	**(742,101)**	**-**	**(807,147)**
Additions	(232)	(581)	-	(813)
Write-off	583	1,934	-	2,517
Balance at December 31, 2010	**(64,695)**	**(740,748)**	**-**	**(805,443)**
Additions	(9,043)	(8,027)	-	(17,070)
Write-off	73,403	125,383	-	198,786
Balance at December 31, 2011	**(335)**	**(623,392)**	**-**	**(623,727)**
Write-off	-	11,280	-	11,280
Impairment losses on other assets	-	531,770	-	531,770
Balance at December 31, 2012	**(335)**	**(80,342)**	**-**	**(80,677)**
Carrying amount				
Balance at December 31, 2010	**1,558,744**	**2,002,533**	**89,106**	**3,650,383**
Balance at December 31, 2011	**1,995,939**	**2,189,748**	**31,828**	**4,217,515**
Balance at December 31, 2012	**2,024,316**	**2,749,612**	**28,830**	**4,802,758**

The amortization expenses has been included in the line item “Depreciation and amortization” in the income statement.

15. Other assets

The breakdown of the balance of “Other assets” is as follows:

Thousands of Reais	2012	2011	2010
Prepayments and accrued income	614,062	641,098	870,276
Contractual guarantees of former controlling stockholders (Note 22.d.5)	991,394	992,687	-
Actuarial asset (Note 22.c)	105,283	86,751	-
Other receivables	1,232,794	966,207	1,042,725
Total	**2,943,533**	**2,686,743**	**1,913,001**

16. Deposits from the Brazilian Central Bank and Deposits from credit institutions

The breakdown, by classification, type and currency, of the balances of these items is as follows:

Thousands of Reais	2012	2011	2010
Classification:			
Financial liabilities at amortized cost	35,073,626	51,527,021	42,391,572
Total	**35,073,626**	**51,527,021**	**42,391,572**
Type:			
Demand deposits (1)	47,763	133,567	344,072
Time deposits (2)	26,077,164	27,022,696	28,867,406
Repurchase agreements	8,948,699	24,370,758	13,180,094
Total	**35,073,626**	**51,527,021**	**42,391,572**
Currency:			
Reais	19,385,341	33,811,322	26,794,663
Euro	370,544	437,811	307,022
US dollar	15,106,130	15,141,705	14,065,828
Other currencies	211,611	2,136,183	1,224,059
Total	**35,073,626**	**51,527,021**	**42,391,572**

(1) Non-interest bearing accounts.
(2) It includes the operation with credit institution arising from export and import financing lines, BNDES and Finame on-lending and abroad and other credit lines abroad.

Note 42-d contains a detail of the remaining maturity of financial liabilities at amortized cost and of the related average interest rates.

17. Customer deposits

The breakdown, by classification and type, of the balance of "Customer deposits" is as follows:

Thousands of Reais	2012	2011	2010
Classification:			
Financial liabilities at amortized cost	188,594,930	174,473,891	167,949,201
Total	**188,594,930**	**174,473,891**	**167,949,201**
Type:			
Demand deposits			
Current accounts (1)	13,585,488	13,561,003	16,131,836
Savings accounts	26,856,910	23,293,434	30,303,463
Time deposits	84,586,047	83,941,820	68,916,301
Repurchase agreements	63,566,485	53,677,634	52,597,601
Total	**188,594,930**	**174,473,891**	**167,949,201**

(1) Non-interest bearing accounts.

Note 42-d contains a detail of the residual maturity periods of financial liabilities at amortized cost and of the related average interest rates.

18. Marketable debt securities

The breakdown, by classification and type, of the balance of "Marketable debt securities" is as follows:

Thousands of Reais	2012	2011	2010
Classification:			
Financial liabilities at amortized cost	54,012,018	38,590,423	20,086,645
Total	**54,012,018**	**38,590,423**	**20,086,645**
Type:			
Real estate credit notes - LCI (1)	11,236,843	8,550,108	7,614,891
Bonds and other securities	13,049,920	6,539,765	3,351,137
Treasury Bills(2)	25,320,186	19,926,031	6,638,936
Securitization notes (MT100) (3)	2,236,089	2,152,543	1,577,181
Agribusiness credit notes - LCA	2,008,472	1,341,232	904,500
Debenture (4)	160,508	80,744	-
Total	**54,012,018**	**38,590,423**	**20,086,645**

(1) LCI´s are fixed income securities underlied to mortgage loans and collateralized by mortgage or chatell mortgage on property. On December 31, 2012, there are maturities between 2013 and 2017.

(2) The main features of the financial letters are the minimum period of two years, minimum notional of R$300 and permission for early redemption of only 5% of the issued amount. On December 31, 2012, have a maturity between 2013 to 2018.
(3) Issuance of bonds tied to the right to receive of future flow of payment orders receivable from foreign correspondent banks.
(4) Debentures issued by the subsidiary MS Participações in three series (November 2011 – R$82,122, March 2012 – R$47,592 and May 2012 – R$33,732) with earnings indexed to CDI + 1.77% p.a. and maturing on August 21, 2013.

The breakdown, by currency, of the balance of this account is as follows:

	Thousands of Reais			Average interest (%)		
Currency:	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Reais	39,267,849	32,681,252	16,174,057	8.6%	10.2%	10.5%
US dollar	13,920,498	5,608,368	3,905,890	3.9%	3.8%	2.4%
Swiss Francs	679,024	300,803	-	3.2%	3.0%	-
Euro	144,647	-	6,698	0.6%	-	0.3%
Total	**54,012,018**	**38,590,423**	**20,086,645**	**7.3%**	**8.8%**	**10.4%**

The changes in the balance of Marketable debt instruments were as follows:

Thousands of Reais	2012	2011	2010
Balance at beginning of the period	**38,590,423**	**20,086,645**	**11,439,010**
Issuances	36,376,139	29,501,246	21,402,252
Payments	(25,440,219)	(14,895,052)	(12,828,958)
Interest (Note 30)	3,662,370	3,226,644	1,212,962
Exchange differences and Others	823,305	670,940	(1,138,621)
Balance at end of the period	**54,012,018**	**38,590,423**	**20,086,645**

At December 31, 2012, 2011 and 2010, none of these instruments was convertible into Bank shares or granted privileges or rights which, in certain circumstances, make them convertible into shares.

A note 42-d contains a detail of the residual maturity periods of financial liabilities at amortized cost and of the related average interest rates in each year.

The breakdown of "Bonds and other securities" is as follows:

	Issuance	Maturity	Currency	Interest rate (p.a)	2012	2011	2010
Eurobonds	March-11	March-14	R$	Libor + 2.1%	2,452,473	2,252,536	-
Eurobonds	April and November-10	April-15	US$	4.5%	1,740,005	1,617,341	1,447,210
Eurobonds	January and June-11	January-16	US$	4.3%	1,741,878	1,608,424	-
Eurobonds	November-05	November-13	R$	17.1%	333,182	333,182	471,849
Eurobonds	June-11	December-14	CHF	3.1%	335,749	300,803	-
Eurobonds	December-10	December-11	US$	Zero Cupom	-	-	730,948
Eurobonds	February and September-12	February-17	US$	4.6%	2,806,547	-	-
Eurobonds	October-12	January-13	US$	Zero Cupom	630,533	-	-
Eurobonds	December-12	June-13	US$	Zero Cupom	591,958	-	-
Eurobonds	April-12	April-16	CHF	3.3%	343,275	-	-
Eurobonds	October-12	April-13	US$	Zero Cupom	217,196	-	-
Eurobonds	November-12	November-13	US$	Zero Cupom	214,794	-	-
Others					1,642,330	427,479	701,130
Total					**13,049,920**	**6,539,765**	**3,351,137**

The composition of "securitization notes - MT100" is as follows:

	Issuance	Maturity	Currency	Interest rate (p.a)	2012	2011	2010
Series 2004-1 (1)	September-04	September-11	US$	5.5%	-	-	33,457
Series 2008-1 (1)	May-08	March-15	US$	6.2%	212,565	265,203	294,133
Series 2008-2 (1) (2)	August-08	September-17	US$	Libor (6 months) + 0.8%	820,758	753,126	668,916
Series 2009-1 (1) (3)	August-09	September-14	US$	Libor (6 months) + 2.1%	69,730	94,494	83,924
Series 2009-2 (1) (4)	August-09	September-19	US$	6.3%	103,967	95,435	84,771
Series 2010-1 (1) (5)	December-10	March-16	US$	Libor (6 months) + 1.5%	513,993	471,594	411,980
Series 2011-1 (1) (6)	May-11	March-18	US$	4.2%	206,758	189,790	-
Series 2011-2 (1) (7)	May-11	March-16	US$	Libor (6 months) + 1.4%	308,318	282,901	-
Total					**2,236,089**	**2,152,543**	**1,577,181**

(1) With charges payable semiannually.
(2) Principal is payable in 6 semiannual installments from March, 2015 (the period of this series was extended by three years in August, 2011).
(3) The principal will be paid semiannually in 6 installments from March 2012.
(4) The principal will be paid semiannually in 14 installments from March 2013.
(5) The principal will be paid semiannually in 7 installments from March 2013.
(6) The principal will be paid semiannually in 9 installments from March 2014.
(7) The principal will be paid semiannually in 5 installments from March 2014.

19. Subordinated liabilities

The detail of the balance of "Subordinated liabilities" is as follows:

Thousands of Reais	Issuance	Maturity [1]	Amount (millions)	Interest rate	2012	2011	2010
Subordinated Certificates	June-06	July-16	R$1.500	105.0% CDI	3,048,617	2,801,102	2,495,990
Subordinated Certificates	October-06	September-16	R$850	104.5% CDI	1,649,313	1,516,018	1,351,627
Subordinated Certificates	July-07	July-14	R$885	104.5% CDI	1,553,537	1,427,982	1,273,137
Subordinated Certificates	April-08	April-13	R$600	100.0% CDI + 1.3%	1,010,620	920,870	814,922
Subordinated Certificates	April-08	April-13	R$555	100.0% CDI + 1.0%	929,321	848,876	753,066
Subordinated Certificates	July-06 to October-06	July-16 to July-18	R$447	104.5% CDI	895,314	822,956	733,718
Subordinated Certificates	January-07	January-13	R$300	104.0% CDI	561,379	516,217	460,494
Subordinated Certificates	August-07	August-13	R$300	100.0% CDI + 0.4%	524,743	482,026	430,041
Subordinated Certificates	January-07	January-14	R$250	104.5% CDI	469,107	431,194	384,437
Subordinated Certificates	May-08 to June-08	May-13 to May-18	R$283	CDI [2]	461,792	422,628	374,705
Subordinated Certificates	May-08 to June-08	May-13 to June-18	R$268	IPCA [3]	494,490	431,919	372,952
Subordinated Certificates [1]	November-08	November-14	R$100	120.5% CDI	161,101	146,183	128,062
Subordinated Certificates [1]	February-08	February-13	R$85	IPCA +7.9%	159,817	140,373	121,954
Total					**11,919,151**	**10,908,344**	**9,695,105**

(1) Subordinated certificates of deposit issued by Banco Santander S.A. with yield paid at the end of the term together with the principal.
(2) Indexed to 100% and 112% of the CDI or CDI plus interest of 1.2% p.a. to 1.5% p.a.
(3) Indexed to the IPCA (extended consumer price index) plus interest of 8.3% p.a. to 8.7% p.a.

The detail by currency, of the balance of "Subordinated liabilities" is as follows:

	Thousands of Reais			Average Interest Rate (%)		
Currency:	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Reais	11,919,151	10,908,344	9,695,105	8.7%	11.2%	10.9%
Total	**11,919,151**	**10,908,344**	**9,695,105**	**8.7%**	**11.2%**	**10.9%**

The changes in "Subordinated liabilities" were as follows:

	2012	2011	2010
Balance at beginning of year	**10,908,344**	**9,695,105**	**11,304,445**
Payments	-	-	(2,598,938)
Redemption			
Subordinated Certificates (maturity in May 2019 and 13.5% fixed interest rate)	-	-	(1,680,461)
Perpetual Non-Cumulative Junior Subordinated Securities (indeterminate maturity 8.7% fixed interest rate and amount of issuance U$500 million)	-	-	(879,294)
Interest payments	-	-	(39,183)
Interest (Note 31)	1,010,807	1,213,239	999,423
Foreign exchange	-	-	(9,825)
Balance at end of year	**11,919,151**	**10,908,344**	**9,695,105**

Note 42-d contains a detail of the residual maturity periods of subordinated liabilities at each year-end and of the related average interest rates in each year.

20. Other financial liabilities

The breakdown of the balances of these items is as follows:

Thousands of Reais	2012	2011	2010
Credit card obligations	12,689,689	11,000,043	7,332,714
Unsettled financial transactions	1,791,274	1,914,897	2,370,678
Dividends payable	1,055,309	1,182,284	2,166,714
Tax collection accounts - Tax payables	422,271	579,413	621,510
Liability associated with the transfer of assets (Note 9.g)	495,467	686,015	-
Other financial liabilities	922,471	589,355	726,632
Total	**17,376,481**	**15,952,007**	**13,218,248**

Note 42-d contains a detail of the residual maturity periods of other financial assets and liabilities at each year-end.

21. Liabilities for insurance contracts

In 2010 consisted mainly of technical provisions - Individual Life and Life covering survival of Zurich Santander Brasil Seguros e Previdência S.A. (note 3.b).

22. Provisions

a) Breakdown

The breakdown of the balance of "Provisions" is as follows:

Thousands of Reais	2012	2011	2010
Provisions for pensions funds and similar obligations	1,307,815	1,246,040	1,190,108
Provisions for judicial and administrative proceedings, commitments and other provisions	7,514,266	8,269,255	8,205,053
Judicial and administrative proceedings under the responsibility of former controlling stockholders (22.d.5)	991,394	992,687	-
Judicial and administrative proceedings	5,797,782	6,398,333	7,267,675
Of which:			
Civil	1,480,320	1,333,671	1,444,209
Labor	2,611,852	3,337,579	2,839,619
Tax and Social Security	1,705,610	1,727,083	2,983,847
Others provisions [1]	725,090	878,235	937,378
Total	**8,822,081**	**9,515,295**	**9,395,161**

(1) Includes provision for compensation fund for salary variation (FCVS) and others provisions.

b) Changes

The changes in "Provisions" were as follows:

Thousands of Reais	2012			2011		
	Pensions	Other Provisions [1]	Total	Pensions	Other Provisions [1]	Total
Balance at beginning of year	**1,246,040**	**8,269,255**	**9,515,295**	**1,190,108**	**8,205,053**	**9,395,161**
Net change in the scope of consolidation (Note 3.b)	-	-	-	-	(127,419)	(127,419)
Additions charged to income:						
Interest income and similar charges (Note 30)	-	-	-	(55,103)	-	(55,103)
Interest expense and similar charges (Note 31)	188,028	-	188,028	145,181	-	145,181
Personnel Expenses (Note 38.a & 22.c)	42,798	-	42,798	19,460	-	19,460
Additions to provisions [2]	94,043	2,112,485	2,206,528	118,502	2,942,961	3,061,463
Payments to pensioners and early retirees with a charge to internal provisions	(42,584)	-	(42,584)	(39,596)	-	(39,596)
Payments to external funds	(239,042)	-	(239,042)	(219,263)	-	(219,263)
Amount used	-	(2,908,432)	(2,908,432)	-	(2,672,142)	(2,672,142)
Transfer to other assets - actuarial assets (Note 15)	18,532	-	18,532	86,751	-	86,751
Transfers, exchange differences and other changes	-	40,958	40,958	-	(79,198)	(79,198)
Balance at end of year	**1,307,815**	**7,514,266**	**8,822,081**	**1,246,040**	**8,269,255**	**9,515,295**

Thousands of Reais	2010		
	Pensions	Other Provisions [1]	Total
Balance at beginning of year	**1,096,799**	**8,383,463**	**9,480,262**
Additions charged to income:			
Interest expense and similar charges (Note 31)	156,419	-	156,419
Personnel Expenses (Note 38.a & 22.c)	16,212	-	16,212
Additions to provisions	179,265	1,795,061	1,974,326
Payments to pensioners and early retirees with a charge to internal provisions	(38,200)	-	(38,200)
Payments to external funds	(220,387)	-	(220,387)
Amount used	-	(2,233,557)	(2,233,557)
Transfers, exchange differences and other changes	-	260,086	260,086
Balance at end of year	**1,190,108**	**8,205,053**	**9,395,161**

(1) Includes, primarily, provisions for tax risks and legal obligations, and judicial and administrative proceedings of labor and civil lawsuits.
(2) In the fourth quarter of 2011 were made up an additional R$648.7 million provision for labor proceedings concerning the Bank's initiative to accelerate the agreements in order to reduce the volume of open cases. Alongside this, the Bank has been working strongly in the prevention of labor disputes, with improvements in controls journey governance in outsourcing, among other measures.

c) Provisions for pensions and similar obligations

i. Supplemental Pension Plan

The Banco Santander and its subsidiaries sponsor private pension entities and plans exclusive to employees and former employees, pension funds and cash assistance with the purpose of providing retirement and pension benefits that supplement those provided by the government, as defined in the basic regulations of each plan.

• Banesprev - Fundo Banespa de Seguridade Social (Banesprev)

- Plan I: defined benefit plan fully defrayed by Banco Santander, covers employees hired after May 22, 1975 called Participants Recipients, and those hired until May 22, 1975 called Participants Aggregates, who are also entitled to death benefits. Plan is closed to new entrants since March 28, 2005.

- Plan II: defined benefit plan, constituted from July 27, 1994, effective of the new text of the Statute and Regulations of the Basic Plan II, Plan I participants who chose the new plan began to contribute to the rate of 44.9% stipulated by the actuary for funding each year, introduced in April 2012 extraordinary cost to the sponsor and participants, as agreed with the PREVIC due Deficit in plan. Plan is closed to new entrants since June 3, 2005.

- Plan V: defined benefit plan fully defrayed by Banco Santander, covers employees hired until after May 22, 1975.

- Supplemental Pension Plan: defined benefit plan was created in view of the privatization of Banespa and is managed by Banesprev and offered only to employees hired before May 22, 1975, this Plan effective January 1, 2000. Plan is closed to new entrants since April 28, 2000.

- Plan III: variable contribution plan, for employees hired after May 22,1975, previously served by the Plans I and II. Under this plan contributions are made by the sponsor and the participants. The benefits are in the form of defined contribution during the period of contribution and defined benefit during the receipt of benefit, if paid as monthly income for life. Plan is closed to new entrants since September 1, 2005.

- Plan IV: variable contribution plan, designed for employees hired as of November 27, 2000, in which the sponsor only contributes to the risk benefits and administrative expenses. In this plan the benefit is set in the form of defined contribution during the period of contribution and defined benefit during the receipt of benefits in the form of monthly income for life, in whole or in part of the benefit. The risk benefits of the plan are in the form of defined benefit. Plan is closed to new entrants since July 23, 2010.

• Sanprev - Santander Associação de Previdência (Sanprev)

- Plan I: defined benefit plan, established on September 27, 1979, covering employees enrolled in the plan sponsor and is in process of extinction since June 30, 1996.

- Plan II: plan that provides insurance risk, pension supplement temporary, disability retirement annuity and the supplemental death and sickness allowance and birth, including employees enrolled in the plan sponsor and is funded solely by sponsors through monthly contributions, as indicated by the actuary. Plan is closed to new entrants since March 10, 2010.

- Plan III: variable contribution plan covering employees of the sponsors who made the choice to contribute, by contributing freely chosen by participants from 2% of salary contribution. That the benefit plan is a defined contribution during the contribution and defined benefit during the receipt of the benefit, being in the form of monthly income for life, in whole or in part of the benefit. Plan is closed to new entrants since March 10, 2010.

• Bandeprev - Bandepe Previdência Social (Bandeprev)

Defined benefit plan, sponsored by Banco Bandepe and Banco Santander, managed by Bandeprev. The plans are divided into basic plan and special retirement supplement plan, with different eligibility requirements, contributions and benefits by subgroups of participants. Both plans are closed to new entrants.

• Other plans

SantanderPrevi - Sociedade de Previdência Privada (SantanderPrevi): is a closed pension entity, which aims at setting up and implementation of benefit plans of pension character, complementary to the general welfare, in the form of legislation. Have a plan designed in the form of defined contribution, with contributions made by sponsors and participants. It also has 10 cases of lifetime income with benefits arising from the previous plan.

Fundação América do Sul de Assistência e Seguridade Social (Fasass): Closed Pension entity that administered social security benefits in three plans, two on a Defined Benefit and a variable contribution, whose process of withdrawal of sponsorship, approved by Supplementary Pension Plan Secretariat (SPC), actual PREVIC - Superintendence of Pension Funds, were implemented in July 2009.

Banco Santander and subsidiary companies are the sponsor of the welfare plans, supplemental retirement plan and of pension plans for associated employees, structured as defined benefit plans.

ii. Actuarial Techniques

The amount of the defined benefit obligations was determined by independent actuaries using the following actuarial techniques:

• Valuation method:

Projected unit credit method, which sees each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

• Nominal discount rate for actuarial obligation:

- Banesprev, Sanprev, SantanderPrevi, Bandeprev and Other Plans - 8.7% (2011 - 10.4% and 2010 - 10.7%).
- Cabesp, Law 9.656 and others obligations - 9.0% (2011 - 10.4% e 2010 - 10.7%).

• Expected rate of return on plan assets:

- Banesprev - Plan I - 8.7% (2011 - 10.9% and 2010 - 11.3%).
- Banesprev - Plan II - 8.7% (2011 - 12.4% and 2010 - 11.1%).
- Banesprev - Plan III - 8.7% (2011 - 12.4% and 2010 - 11.3%).
- Banesprev - Plan IV - 8.7% (2011 - 10.7% and 2010 - 12.2%).
- Banesprev - Supplementary retirement and pension plan - 8.7% (2011 - 10.7% and 2010 - 11.4%).
- Banesprev - Plan V - 8.7% (2011 - 10.7% and 2010 - 11.0%).
- Sanprev - 8.7% (2011 - 10.6% and 2010 - 11.1%).
- Bandeprev - 8.7% (2011 - 10.5% and 2010 - 11.0%).
- SantaderPrevi - 8.7% (2011 - 10.7% and 2010 - 10.8%).
- Plasas - 9.0% (2011 - 10.7% e 2010 - 10.8%).
- Cabesp - 9.0% (2011 - 10.9% e 2010 - 11.4%).
- Other Plans: null - the plan does not have assets.

• Estimated long-term inflation rate:

- Banesprev, Sanprev, SantanderPrevi, Bandeprev and Other Plans - 4.5% (2011 - 4.4% and 2010 - 4.4%).

• Estimate salary increase rate:

- Banesprev, Sanprev, SantanderPrevi, Bandeprev Básico and Other Plans - 5,0% (2011 - 4.9% and 2010 - 4.9%).

iii. Health and Dental Care Plan

• Cabesp - Caixa Beneficente dos Funcionários do Banco do Estado de São Paulo S.A.

Entity that covers health and dental care expenses of employees hired until Banespa privatization in 2000.

• SantanderPrevi's Retirees

SantanderPrevi's retirees' health care plan "Retirement SantanderPrevi" has lifelong nature and it is a closed group. In shutdown the employee should have completed 10 years of employment with Banco Real and 55 years of age. In this case it was offered continuity of health care plan where the employee bears 70% of the monthly and Bank subsidizes 30%. This rule lasted until Dec/2002 and after this period that the employee was off like status Retired Holandaprevi, bears 100% of the monthly health plan.

• Former employees of Banco Real S.A. (retiree by Circulares)

It granting entitlement to healthcare former employee of Banco Real, with lifetime benefit was granted in the same condition the active employee, in this case, with the same coverage and plan design. Eligible only to plans Basic and standard first apartment, opting for apartment he takes the difference between the plans more co-participation in the Basic plan. Not allowed new additions of dependents. It has subsidizes of 90% of the plan.

• Bandeprev's retirees

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

• Officer with Lifetime Benefits (Lifetime Officers)

Lifetime health care benefit granted to former officers of Banco Sudameris Brasil S.A. In this case, no conclusion, being 100% funded by the bank.

• Life insurance for Banco Real's retirees

For Retirees Circulars: indemnity in case of Natural Death, Disease Disability, Accidental Death. The subsidy is 45.28% of the value. This benefit is also granted to retirees Foundation Sudameris where cost is 100% of the retired. It closed group.

• Free clinic

The health care plan "free clinic" is a lifetime plan offered to the retirees who have contributed to Fundação Sudameris for at least 25 years and is funded by the users. The plan is offered only for hospitalization in wards.

• Plasas

Voluntary health plan, created on July 1, 1989, supplementary to the health care plan and only for cases of hospitalization. It includes a reserve made up by participants' and Fasass' contributions, which are suspended since August 1999. The Plan is closed to new entrants since July 1999.

Additionally, it is assured to retired employees, since they meet to certain legal requirements and full pays their respective contributions, the right to be maintaining as a beneficiary of the Bank health plan, in the same conditions for healthcare coverage, taken place during their employment contract. The Bank's provisions related to this retired employees are accrued using actuarial calculations based in the present value of the current cost.

The funding status of the defined benefit obligations in 2012 and in the last 4 years are as follows:

Thousands of Reais	2012	2011	2010	2009	2008
Present value of the obligations - Post-employment plans:					
To current employees	1,706,089	1,312,325	1,212,603	1,078,765	954,321
Vested obligations to retired employees	19,301,089	15,268,283	14,009,689	12,644,915	11,676,568
	21,007,178	**16,580,608**	**15,222,292**	**13,723,680**	**12,630,889**
Less:					
Fair value of plan assets	17,883,138	15,051,746	14,522,452	13,324,387	12,390,745
Unrecognized actuarial (gains)/losses	2,681,038	1,181,202	439,175	223,152	(180,135)
Unrecognized assets [1]	(499,910)	(525,613)	(581,833)	(619,308)	(378,950)
Unrecognized past service cost	-	-	-	358	-
Provisions – Post-employment plans, net	**942,912**	**873,273**	**842,498**	**795,091**	**799,229**
Present value of the obligations - Other similar obligations:					
To current employees	747,175	601,549	530,858	23,053	26,806
Vested obligations to retired employees	6,286,495	4,569,371	3,759,378	3,842,505	2,684,670
To beneficiaries of early retirement	-	-	-	-	44
	7,033,670	**5,170,920**	**4,290,236**	**3,865,558**	**2,711,520**
Less:					
Fair value of plan assets	5,473,031	4,535,896	4,142,589	3,683,450	2,897,569
Unrecognized actuarial (gains)/losses	1,409,141	447,397	(6,600)	282,858	(223,100)
Unrecognized assets [1]	(108,122)	(98,389)	(193,363)	(402,458)	(242,636)
Provisions – Other similar obligations, net	**259,620**	**286,016**	**347,610**	**301,708**	**279,687**
Total provisions for pension plans, net	**1,202,532**	**1,159,289**	**1,190,108**	**1,096,799**	**1,078,916**
Of which:					
Actuarial provisions	1,307,815	1,246,040	1,190,108	1,096,799	1,078,916
Actuarial assets (note 15)	105,283	86,751	-	-	-

(1) Refers to fully funded plans Banesprev I and III, Sanprev I,II and III, Bandeprev and Plasas.

The amounts recognized in the consolidated income statement in relation to the aforementioned defined benefit obligations are as follows:

Thousands of Reais	Post-Employment Plans				
	2012	2011	2010	2009	2008
Current service cost (note 38.a & 22.b)	22,708	19,460	16,212	22,051	21,284
Interest cost	1,756,104	1,561,367	1,460,199	1,362,265	1,362,586
Expected return on plan assets	(1,618,876)	(1,543,051)	(1,337,358)	(1,291,696)	(1,278,663)
Extraordinary charges:					
Actuarial (gains)/losses recognized in the year	115,269	135,628	61,699	36,552	16,726
Past service cost	-	-	-	57	-
Early retirement cost	8,258	89	32	-	-
Total	**283,463**	**173,493**	**200,784**	**129,229**	**121,933**

Thousands of Reais	Other Similar Obligations				
	2012	2011	2010	2009	2008
Current service cost (note 38.a & 22.b)	20,090	-	-	14,483	23,776
Interest cost	537,954	445,405	424,157	307,459	311,758
Expected return on plan assets	(487,154)	(469,625)	(390,579)	(277,461)	(304,244)
Extraordinary charges:					
Actuarial (gains)/losses recognized in the year	(29,484)	2,310	58,958	6,857	-
Early retirement cost	-	38,335	58,576	-	1,633
Total	**41,406**	**16,425**	**151,112**	**51,338**	**32,923**

The changes in the present value of the accrued defined benefit obligations were as follows:

Thousands of Reais	Post-Employment Plans				
	2012	2011	2010	2009	2008
Present value of the obligations at beginning of year	**16,580,608**	**15,222,292**	**13,723,680**	**12,630,889**	**10,003,684**
Changes in the scope of consolidation	-	-	-	-	1,372,869
Current service cost	22,708	19,460	16,212	22,051	21,284
Interest cost	1,659,518	1,561,367	1,460,199	1,362,265	1,362,586
Early retirement cost	-	89	32	-	-
Benefits paid	(1,308,099)	(1,171,279)	(1,064,412)	(1,394,064)	(922,771)
Actuarial (gains)/losses	4,032,311	924,447	1,085,254	1,102,539	931,691
Others	20,132	24,232	1,327	-	(138,454)
Present value of the obligations at end of year	**21,007,178**	**16,580,608**	**15,222,292**	**13,723,680**	**12,630,889**

Thousands of Reais	Other Similar Obligations				
	2012	2011	2010	2009	2008
Present value of the obligations at beginning of year	**5,170,920**	**4,290,236**	**3,865,558**	**2,711,520**	**2,786,388**
Changes in the scope of consolidation	-	-	-	-	291,755
Current service cost	20,090	-	-	14,483	23,776
Interest cost	526,079	445,405	424,157	307,459	311,758
Early retirement cost	-	(4,411)	1,026	-	1,633
Benefits paid	(292,145)	(220,030)	(177,674)	(178,875)	(157,266)
Actuarial (gains)/losses	1,710,072	633,116	132,301	1,010,971	(539,867)
Other	(101,346)	26,604	44,868	-	(6,657)
Present value of the obligations at end of year	**7,033,670**	**5,170,920**	**4,290,236**	**3,865,558**	**2,711,520**

The changes in the fair value of the plan assets were as follows:

Thousands of Reais	Post-Employment Plans				
	2012	2011	2010	2009	2008
Fair value of plan assets at beginning of year	**15,051,746**	**14,522,452**	**13,324,387**	**12,390,745**	**10,117,296**
Changes in the scope of consolidation [1]	-	-	-	-	1,574,595
Expected return on plan assets	1,618,876	1,543,051	1,337,358	1,291,696	1,278,663
Actuarial gains/(losses)	2,275,468	(16,316)	778,074	684,445	230,194
Contributions	223,260	173,838	129,051	106,837	83,055
Of which:					
By the Bank	203,520	153,744	108,501	84,495	67,513
By plan participants	19,740	20,094	20,550	22,341	15,542
Benefits paid	(1,308,099)	(1,171,279)	(1,051,854)	(1,149,336)	(893,058)
Exchange differences and other items	21,887	-	5,436	-	-
Fair value of plan assets at end of year	**17,883,138**	**15,051,746**	**14,522,452**	**13,324,387**	**12,390,745**

Thousands of Reais	Other Similar Obligations				
	2012	2011	2010	2009	2008
Fair value of plan assets at beginning of year	**4,535,896**	**4,142,589**	**3,683,450**	**2,897,569**	**2,782,114**
Changes in the scope of consolidation [1]	-	-	-	-	93,401
Expected return on plan assets	487,154	469,625	390,579	277,461	304,244
Actuarial gains/(losses)	671,528	94,361	188,771	638,240	(169,057)
Contributions	70,598	64,878	58,833	42,751	41,487
Of which:					
By the Bank	65,551	59,576	53,944	37,635	36,021
By plan participants	5,048	5,301	4,889	5,116	5,466
Benefits paid	(292,145)	(218,173)	(192,371)	(172,571)	(153,225)
Exchange differences and other items	-	(17,384)	13,327	-	(1,395)
Fair value of plan assets at end of year	**5,473,031**	**4,535,896**	**4,142,589**	**3,683,450**	**2,897,569**

(1) In 2008, refers mainly to Banco Real.

The experience adjustments arising from plan assets and liabilities are shown bellow:

In thousand of reais	Post - Employment Plans				
	2012	2011	2010	2009	2008
Experience Adjustments in Net Assets	**2,275,468**	**(16,316)**	**778,074**	**684,445**	**230,194**
Experience Adjustments in Actuarial Liabilities	**2,681,038**	**1,181,202**	**439,175**	**223,152**	**(180,135)**

In thousand of reais	Other Similar Obligations				
	2012	2011	2010	2009	2008
Experience Adjustments in Net Assets	**671,528**	**94,361**	**188,771**	**638,240**	**(169,057)**
Experience Adjustments in Actuarial Liabilities	**1,409,141**	**447,397**	**(6,600)**	**282,858**	**(223,100)**

The amounts of actuarial obligation of defined benefit plans uninsured and defined benefit plans partially or totally covered are shown below:

In thousand of reais	2012	2011	2010
Defined benefit plans uninsured	**890,234**	**769,150**	**628,138**
Defined benefit plans partially or totally covered	**27,150,615**	**20,982,378**	**18,884,390**

In 2013 the Bank expects to make contributions to fund these obligations for amounts similar to those made in 2012.

The main categories of plan assets as a percentage of total plan assets are as follows:

	2012	2011	2010	2009	2008
Equity instruments	2.80%	2.77%	5.05%	2.55%	5.47%
Debt instruments	93.40%	93.38%	92.91%	96.58%	92.85%
Properties	0.50%	0.50%	0.47%	0.12%	0.10%
Other	3.30%	3.36%	1.57%	0.75%	1.58%

The expected return on plan assets was determined on the basis of the market expectations for returns over the duration of the related obligations.

The actual return on plan assets was R$5,057 (2011 - R$2,090).

The following table shows the estimated benefits payable at December 31, 2012 for the next ten years:

Thousands of Reais	
2013	1,630,698
2014	1,701,901
2015	1,781,528
2016	1,863,748
2017 a 2022	13,002,193
Total	**19,980,068**

Presumptions about the rates related to medical care costs have a significant impact on the amounts recognized in income. A change of one percentage point in the medical care cost rates would have the effects as follows:

Thousands of Reais	Sensitivity	
	(+) 1,0%	**(-) 1,0%**
Effect on current service cost and interest on actuarial liabilities	73	(67)
Effects on present value of obligation	2,180	(2,375)

d) Provisions for civil, labor, tax and social security contingencies

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

Provisions were recognized based on the nature, complexity and history of the lawsuits, and on the opinion of the in-house and outside legal counsel. Banco Santander's policy is to accrue the full amount of the potential risk of loss whose valuation is classified as probable. The statutory tax and social security were fully recognized in the financial statements.

Management understands that the recognized provisions are sufficient to cover probable losses with respect to judicial and administrative proceedings as follows:

d.1) Tax and Social Security Proceedings

The main lawsuits related to tax legal obligations, recorded in the line "Tax Liabilities - Current", fully registered as obligation, are described below:

• **PIS and Cofins -** R$8,735,925 (2011 - R$6,833,010 and 2010 - R$5,119,731): The Bank and its subsidiaries filed lawsuits seeking to invalidate the provisions of Law 9,718/98, pursuant to which PIS and COFINS taxes must be levied on all revenues of legal entities. Prior to the enactment of such provisions, which have been overruled by recent Supreme Court decisions for nonfinancial institutions, PIS and COFINS were levied only on revenues from services and sale of goods.

• **Increase in CSLL tax rate -** R$1,103,018 (2011 - R$979,938 and 2010 - R$848,734) – The Bank and its subsidiaries filed lawsuits for an injunction to avoid the increase in the CSLL tax rate established by Executive Act 413/2008, subsequently codified into Law 11,727/2008. Financial institutions were formerly subject to a CSLL tax rate of 9%; however, new law established a 15% CSLL tax rate as from April 2008. Judicial proceedings are pending judgment.

Banco Santander and its subsidiaries are parties to judicial and administrative proceedings related to tax and social security matters, which are classified based on the opinion of legal counsel as probable loss risk.

The main topics discussed in these lawsuits are:

• **CSLL - equal tax treatment -** R$51,271 (2011 - R$49,314 and 2010 - R$278,194) - The Bank and its subsidiaries filed a lawsuit challenging the application of an increased CSLL rate of 18% for financial companies, applicable until 1998, compared to the CSLL rate of 8% for non-financial companies on the basis of the constitutional principle of equal tax treatment.

• **Tax on Services for Financial Institutions (ISS) -** R$445,497 (2011 - R$542,443 and 2010 - R$473,371): The Bank and its subsidiaries filed lawsuits, in administrative and judicial proceedings, some municipalities collection of ISS on certain revenues derived from transactions not usually classified as the rendering of services.

• **Social Security Contribution (INSS) -** R$349,855 (2011 - R$288,137 and 2010 - R$259,526): The Bank and its subsidiaries are involved in administrative and judicial proceedings regarding the collection of income tax on social security and education allowance contributions over several funds that, according to the evaluation of legal advisors, have no nature of salary.

d.2) Labor Proceedings

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

For claims considered to be similar and usual for the business, provisions are recognized based on the history of payments made. Claims that do not fit into the previous criterion are assessed individually, based on the status of each lawsuit, law and previous court decisions according to the assessment of the likelihood of a favorable outcome, and the risk assessment made by the legal counsel, and the provisions are recognized based on such assessment of losses by the legal counsel.

d.3) Civil Proceedings

These contingencies are generally caused by: (1) lawsuits with a request for revision of contractual terms and conditions or requests for monetary adjustments, including alleged effects of implementing various economic plans of the government, (2) actions arising from loan agreements, (3) enforcement actions, and (4) actions for compensation for damages. For civil lawsuits considered common and similar in nature, the provisions are recorded based on previous payments statistical average, and evaluating successful second legal evaluation. Lawsuits for other processes are determined individually according to the analysis applicable to the circumstances of each case.

The main lawsuits classified as probable loss are described below:

Lawsuits for indemnity - seek indemnity for property damage and/or moral, relating to the consumer relationship on matters related to credit cards, consumer credit, bank accounts, collection and loans and other operations. In the civil lawsuits considered to be similar and usual for the business, provisions are recognized based on the history of payments made. Civil lawsuits that do not fit into the previous criterion are accrued according to the individual assessment made, and provisions are recognized based on the status of each lawsuit, law and previous court decisions according to the assessment of the likelihood of a favorable outcome, and the risk assessment made by the legal counsel.

Economic Plans - efforts to recover collective assessment, the deficient inflation adjustments in savings accounts and judicial deposits arising from the Economic Plans (Bresser, Verão, Collor I and II). These refer to the lawsuits filed by savings accountholders disputing the interest credited by the Banco Santander under such plans as they considered that such legal amendments infringed on the rights acquired with regard to the application of the inflation indexes. Provisions are set aside for such lawsuits based on the average payments made historically. Civil lawsuits that do not fit into the previous criterion are accrued according to the individual assessment made, and provisions are recognized based on the status of each lawsuit, law and previous court decisions according to the assessment of the likelihood of a favorable outcome, and classification of the legal counsel. The Banco Santander is also a party in public class action suits on the same issue filed by consumer rights organizations, Public Prosecutor's Offices and Public Defender's Offices. In these cases, the provision is made only after the final unappealable sentence is handed down on the lawsuits, based on the individual execution orders. The Superior Court of Justice (STJ) decided against the bank's. The Supreme Court is still analyzing the subject and has already ordered the suspension of all the procedures except those that were not already decided in trial courts and those who have a final decision. There are decisions favorable to banks at the Supreme Court with regard to the economic phenomenon similar to that of savings accounts, as in the case of monetary restatement of time deposits (Bank Deposit Certificates - CDB) and agreements (present value table). Moreover, there are precedents at the Supreme Court regarding the constitutionality of the norms that changed Brazil's monetary standard. In April 14, 2010, in the STJ was recently decided that the deadline for the filing of civil lawsuits that argue the government's purge of five years. With this decision, a majority stake, as was proposed after the period of 5 years are likely to be rejected, reducing the values involved. Still, in October 2011 the Supreme Court decided that the deadline for individual savers to qualify in the public civil litigations, also is five years, counted from the final judgment of their sentence. Banco Santander believes in the success of the arguments defended in these courts based on their content and the sound legal basis.

d.4) Civil, labor, tax and social security contingencies classified as possible loss risk

Refer to judicial and administrative proceedings involving civil, labor, tax and social security matters assessed by the legal counsels as possible loss risk, which were not accrued as a provision.

Tax lawsuits classified as possible loss risk, totaled R$9.3 billion, including the following main lawsuits:

• **Provisional Contribution on Financial Transactions (CPMF) on Customer Operations -** In May 2003, the Federal Revenue Service of Brazil issued a tax assessment against Santander Distribuidora de Títulos e Valores Mobiliários Ltda. ("Santander DTVM") and another tax assessment against the former Banco Santander Brasil S.A. The tax assessments refer to the collection of "CPMF" tax on transactions conducted by Santander DTVM in the management of its customers' funds and clearance services provided by Banco Santander to Santander DTVM in 2000, 2001 and the first two months of 2002. Based on the evaluation of legal counsel, the tax treatment was adequate. Santander DTVM succeeded in the second instance in its proceeding before the Board of Tax Appeals (Conselho Administrativo de Recursos Fiscais – CARF). However this decision was reversed and a new appeal was introduced, which is subject to assessment. The Banco Santander Brasil S.A. was found liable for the tax assessment. Both decisions were appealed by the respective losing parties and the proceedings are pending final judgment of the respective appeals in a non-appealable proceeding before CARF. As of December 31, 2012 amounts related to these claims are approximately R$585 million each.

• **IRPJ and CSLL on Reimbursement Arising from Contractual Guarantees -** The Federal Revenue Service of Brazil issued infraction notices against Banco Santander with respect to the collection of IRPJ and CSLL taxes for tax years 2002 to 2006 on amounts reimbursed by the previous controlling shareholder of successful banking institutions by Banco Santander as reimbursement obligations for payments made by the Bank and its controlled entities with liabilities arising from the activities carried out by these institutions when the previous controlling shareholder still maintained control of such group. The Federal Revenue Service deemed the amounts to be "taxable income" rather than reimbursements. In November 2011, the CARF dismissed the administrative proceeding in respect to the base period of 2002, fully canceling the record of infraction and was terminated in February 2012 during the term of the appeal. Proceedings related to tax years 2003 to 2006 are ongoing and as of December 31, 2012 amounts related to this period are approximately R$141 million.

• **Credit Losses -** The Bank and its subsidiaries challenged the tax assessments issued by the Federal Revenue Services of Brazil claiming improper deduction of losses on loans on Income Tax of Legal Entities (IRPJ) and CSLL bases for allegedly failing to meet the relevant requirements under applicable law. As of December 31, 2012 the amount related to this challenge is approximately R$344million.

• **CSLL - Tax rate increase -** Lawsuit regarding the difference from social contribution tax rate applied to financial institutions and equivalent entities in the first half of 1996, as such tax rate was higher than the rates applied to other legal entities, which is contrary to the precedence and non-retroactivity constitutional principle. On July 2012 the lawsuit was a final favorable decision.

• **CSLL - Favorable and unappealable decision -** The Bank challenged the Federal Revenue Services allegation of irregularities in certain CSLL tax payments, due to a final and non-appealable judgment cancelling the requirement of such CSLL taxes pursuant to Law 7,689/1988 and Law 7,787/1989. In January 2012 the risk was changed to remote loss because the thesis of prescription was accepted. As of December 31, 2012 amounts related to these actions are approximately R$165 million.

• **Social Security Contribution –** Profit Sharing Payments ("PLR") – The Bank and the subsidiaries are involved in administrative and judicial proceedings arising from infraction notices with respect to the collection of social security contribution on profit sharing payments. The tax authorities claim that payments by us were not made in accordance with law. The Bank appealed against these charges, since consider the tax treatment to be appropriate based on applicable law and the nature of the payments. As of December 31, 2012 amounts related to these proceedings totaled approximately R$302 million.

• **IRPJ and CSLL - Capital Gain -** The Brazilian Federal Revenue Service issued a tax assessment against Zurich Santander Brasil Seguros e Previdência S.A. (legal successor of ABN AMRO Brasil Dois Participações S.A. (AAB Dois Par)) charging income tax and social contribution related to the 2005 tax year, claiming that the capital gain on the sale of Real Seguros S.A. and Real Vida e Previdência S.A. by AAB Dois Par should be paid at a 34% tax rate instead of 15%. The assessment was appealed at the administrative level based on understanding that the tax treatment adopted in the transaction was in compliance with the current tax law and the capital gain was properly taxed. Banco Santander is responsible for any adverse outcome in this process as a former controlling shareholder of Zurich Santander Brasil Seguros e Previdência S.A. As of December 31, 2012 the amount related to this proceeding is approximately R$223 million.

The labor lawsuits classified as possible loss risk totaled R$0.6 billion, excluding the lawsuit below:

• **Semiannual Bonus or Profit Sharing -** a labor lawsuit relating to the payment of a semiannual bonus or, alternatively, profit sharing, to retired employees from the former Banco do Estado de São Paulo S.A. - Banespa, that had been hired by May 22, 1975, filed by Banespa's Retirees Association. This lawsuit was dismissed against the Bank by the Superior Labor Court. The Supreme Court rejected the extraordinary appeal of the Bank by a monocratic decision maintaining the earlier condemnation. Santander brought Regimental Appeal which awaits decision by the Supreme Court. The Regimental Appeal is an internal appeal filed with the Supreme Court itself, in order to refer the monocratic decision to a group of five ministers. The amount related to this claim is not disclosed due to the current stage of the lawsuit and the possible impact such disclosure may have on the progress of the claim.

The liabilities related to civil lawsuits with possible loss risk totaled R$0.7 billion.

d.5) Judicial and administrative proceedings under the responsibility of former controlling stockholders

Refer to tax, labor and civil lawsuits in the amounts of R$978,083, R$10,078 and R$3,233 (2011 - R$969,485, R$14,150 and R$9,052 and 2010 - R$455,841, R$30,764 and R$7,180), with responsibility of the former controlling stockholders of the banks and acquired entities. Based on the agreements signed these lawsuits have guarantees of full reimbursement by the former controlling stockholders, and amonts reimbursable were recorded under other assets.

23. Tax assets and liabilities

a) Income and Social Contribution Taxes

The total charge for the year can be reconciled to accounting profit as follows:

Thousands of Reais	2012	2011	2010
Operating profit before tax, net of profit sharing	5,510,751	8,910,536	9,996,503
Interest on capital [1]	(1,020,000)	(1,550,000)	(1,760,000)
Unrealized profits	(24,403)	(914)	(6,614)
Income before taxes	**4,466,348**	**7,359,622**	**8,229,889**
Rates (25% income and contribution tax and 15% social contribution tax)	**(1,786,539)**	**(2,943,849)**	**(3,291,956)**
PIS and COFINS (net of income and social contribution taxes) [2]	**(1,143,825)**	**(1,037,570)**	**(856,107)**
Permanent differences:			
Equity in subsidiaries	29,329	21,686	17,577
Goodwill[3]	1,454,778	1,241,381	1,391,527
Exchange variation - foreign branches [4]	804,414	767,921	(196,941)
Adjustments:			
Constitution of income and social contribution taxes on temporary differences	404,809	602,394	165,083
Effects of change in rate of social contribution taxes [5]	19,308	9,439	19,911
Other adjustments	166,253	183,915	136,977
Income and social contribution taxes	**(51,473)**	**(1,154,683)**	**(2,613,929)**
Of which:			
Current tax	(2,822,084)	(2,732,999)	(2,501,876)
Deferred taxes	2,770,611	1,578,316	(112,053)
Taxes paid in the year	(2,137,965)	(1,932,317)	(1,043,419)

(1) Amount distributed to shareholders as interest attributable to shareholders' equity. For accounting purposes, although the interest should be reflected in the statement of income for tax deduction, the charge is reversed before the calculation of the net income in the statutory financial statements and deducted from the shareholders' equity since is considered as dividend.

(2) PIS and COFINS are considered a profit-base component (net basis of certain revenues and expenses), therefore and accordingly to IAS 12 it is recorded as income taxes.

(3) The difference between the tax basis and accounting basis of goodwill on acquisition of Banco ABN Amro Real S.A. is a difference of a permanent nature and definitive, since the possibility of future use of resources to settle a tax liability is considered remote by the Administration in this case the possibility of loss on impairment or disposal only applies to the entity as a whole and according to the characteristics of the business combination performed, it is not possible to segregate and identify the business originally acquired. Therefore, amortization of goodwill tax creates a permanent differences and there is not record of the deferred tax liability (note 46).

(4) Permanent difference related of foreign currency exchange variation on investiments abroad nontaxable/deductible.

(5) Effect of rate differences for the other non-financial corporations, which the social contribution tax rate is 9%.

b) Effective tax rate calculation

The effective tax rate is as follows:

Thousands of Reais	2012	2011	2010
Operating profit before tax	5,510,751	8,910,536	9,996,503
Income tax	51,473	1,154,683	2,613,929
Effective tax rate [1]	0.93%	12.96%	26.15%

(1) In 2012, 2011 and 2010, considering the tax effect of the exchange variation over foreign branches and the economic hedge, accounted in the Gains (losses) on financial assets and liabilities (net) (note 35) the effective tax rate would have been 27.%, 23.5% and 23.2%, respectively.

c) Tax recognized in equity

In addition to the income tax recognized in the consolidated income statement, the Bank recognized the following amounts in consolidated equity:

Thousands of Reais	2012	2011	2010
Tax credited to equity	**341,088**	**97,498**	**94,911**
Measurement of available-for-sale securities	341,088	97,498	90,888
Measurement of cash flow hedges	-	-	4,023
Tax charged to equity	**(1,417,759)**	**(852,474)**	**(692,881)**
Measurement of available-for-sale securities	(1,611,935)	(845,109)	(681,097)
Measurement of cash flow hedges	194,176	(7,365)	(11,784)
Total	**(1,076,671)**	**(754,976)**	**(597,970)**

d) Deferred taxes

The detail of the balances of "Tax assets – Deferred" and "Tax liabilities – Deferred" is as follows:

Thousands of Reais	2012	2011	2010
Tax assets deferred	**16,341,114**	**14,171,076**	**13,415,298**
Of which:			
Temporary differences [1]	13,386,884	12,121,076	11,211,372
Tax loss carryforwards	2,256,503	1,352,273	1,462,490
Social contribution taxes 18%	697,727	697,727	741,436
Tax offset	**2,073**	**2,073**	**209,582**
Total deferred tax assets	**16,343,187**	**14,173,149**	**13,624,880**
Tax liabilities	**3,565,381**	**3,748,104**	**4,280,159**
Of which:			
Excess depreciation of leased assets	1,192,056	2,012,314	2,454,253
Adjustment to fair value of trading securities and derivatives	2,373,325	1,735,790	1,825,906
Total tax liabilities	**3,565,381**	**3,748,104**	**4,280,159**

(1) Temporary differences relate mainly to impairment losses on loans and receivables and provisions for judicial and administrative proceedings.

In 2012, were not recorded tax assets amounting R$566,383.

The changes in the balances of "Tax Assets – Deferred" and "Tax Liabilities – Deferred" in the last two years were as follows:

Thousands of Reais	Balances at December 31, 2011	Adjustment to Income	Valuation adjustments [1]	Acquisitions for the Year (Net of disposals)	Balances at December 31, 2012
Deferred tax assets	**14,171,076**	**1,955,302**	**214,736**	**-**	**16,341,114**
Temporary differences	12,121,076	1,051,072	214,736	-	13,386,884
Tax loss carryforwards	1,352,273	904,230	-	-	2,256,503
Social contribution taxes 18%	697,727	-	-	-	697,727
Deferred tax liabilities	**3,748,104**	**(815,309)**	**632,586**	**-**	**3,565,381**
Temporary differences	3,748,104	(815,309)	632,586	-	3,565,381
Total	**10,422,972**	**2,770,611**	**(417,850)**	**-**	**12,775,733**

Thousands of Reais	Balances at December 31, 2010	Adjustment to Income	Valuation adjustments [1]	Acquisitions for the Year (Net of disposals)	Balances at December 31, 2011
Deferred tax assets	13,415,298	827,601	(2,873)	(68,950)	14,171,076
Deferred tax liabilities	4,280,159	(707,006)	276,494	(101,543)	3,748,104
Total	**9,135,139**	**1,534,607**	**(279,367)**	**32,593**	**10,422,972**

Thousands of Reais	Balances at December 31, 2009	Adjustment to Income	Valuation adjustments [1]	Acquisitions for the Year (Net of disposals)	Balances at December 31, 2010
Deferred tax assets	13,617,159	212,960	(205,239)	-	13,624,880
Deferred tax liabilities	3,867,857	325,013	87,289	-	4,280,159
Total	**9,749,302**	**(112,053)**	**(292,528)**	**-**	**9,344,721**

(1) It relates to tax recognized in equity.

e) Expected realization of tax loss carryforwards

Year	Temporary differences	Tax loss carryforwards	Social contribution taxes 18%
2013	7,013,813	82,187	30,383
2014	2,931,655	1,172,110	203,566
2015	2,008,928	478,242	85,450
2016	369,066	491,132	267,097
2017	265,472	32,664	111,231
2018 to 2020	415,643	168	-
After 2020	382,307	-	-
Total	**13,386,884**	**2,256,503**	**697,727**

24. Other liabilities

The breakdown of the balance of "Other Liabilities" is as follows:

Thousands of Reais	2012	2011	2010
Accrued expenses and deferred income	1,966,435	1,930,290	1,646,121
Transactions in transit	912,034	695,880	411,426
Provision for share-based payment	210,822	158,543	86,568
Other	1,213,529	1,143,138	1,461,723
Total	**4,302,820**	**3,927,851**	**3,605,838**

25. Other Comprehensive Income

The balances of Valuation adjustments include the amounts, net of the related tax effect, of the adjustments to assets and liabilities recognized temporarily in equity stated in the Consolidated Statement of Changes in Equity and Consolidated Statements of Comprehensive Income until they are extinguished or realized, when they are recognized in the consolidated income statement. The amounts attributable to subsidiaries, investments in associates and joint ventures are presented, on a line by line basis, in the appropriate items based on their nature.

It should be noted that the consolidated Statements of Comprehensive Income includes the changes to Valuation adjustments as follows:

- Revaluation gains (losses): This includes the amount of the gains, net of losses incurred in the year, recognized directly in equity. The amounts recognized in equity in the year remain under this item, even if in the same year they are transferred to the income statement or to the initial carrying amount of the assets or liabilities or are reclassified to another line item.

- Amounts transferred to income statement: This includes the amount of the revaluation gains (losses) previously recognized in equity, even in the same year, which are subsequently recognized in the income statement.

- Amounts transferred to the initial carrying amount of hedged items: This includes the amount of the revaluation gains (losses) previously recognized in Equity, even in the same year, which are recognized in the initial carrying amount of assets or liabilities as a result of cash flow hedges.

- Other transfers: This includes the amount of the transfers made in the year between the various valuation adjustment items.

In the Consolidated Statements of Comprehensive Income the amounts in "Valuation adjustments" are recognized gross, including the amount relating to non-controlling interests, and the corresponding tax effect is presented under a separate item, except in the case of entities accounted for using the equity method, the amounts for which are presented net of the tax effect.

a) Available-for-sale financial assets

Valuation adjustments—Available-for-sale financial assets includes the net amount of unrealized changes in the fair value of assets classified as available-for-sale financial assets (see Notes 6 and 7).

The breakdown, by type of instrument and geographical origin of the issuer, of Valuation adjustments Available-for-sale financial assets at December 31, 2012, 2011 and 2010 is as follows:

In thousand of reais	December 31, 2012				December 31, 2011			
	Revaluation gains	Revaluation losses	Net revaluation gains/(losses)	Fair value	Revaluation gains	Revaluation losses	Net revaluation gains/(losses)	Fair value
Debt Instruments								
Government debt securities	2,291,874	(1,030,507)	1,261,367	30,400,250	1,993,581	(930,000)	1,063,581	31,858,187
Private-sector debt securities	1,135,406	(514,195)	621,211	12,644,320	126,508	(173,363)	(46,855)	11,442,167
Equity instruments								
Domestic	200,278	(314,217)	(113,939)	1,104,050	169,948	(226,475)	(56,527)	1,307,847
Listed	180,861	(281,419)	(100,558)	340,494	154,958	(194,040)	(39,082)	462,062
Unlisted	19,417	(32,798)	(13,381)	763,556	14,990	(32,435)	(17,445)	845,785
Total	**3,627,558**	**(1,858,919)**	**1,768,639**	**44,148,620**	**2,290,037**	**(1,329,838)**	**960,199**	**44,608,201**

In thousand of reais	December 31, 2010			
	Revaluation gains	Revaluation losses	Net revaluation gains/(losses)	Fair value
Debt Instruments				
Government debt securities	1,154,874	(157,107)	997,767	39,610,205
Private-sector debt securities	561,233	(706,786)	(145,553)	5,867,777
Equity instruments				
Domestic	365,973	(268,590)	97,383	1,728,037
Listed	327,993	(268,590)	59,403	751,196
Unlisted	37,980	-	37,980	976,841
Total	**2,082,080**	**(1,132,483)**	**949,597**	**47,206,019**

At each reporting date, the Bank assesses whether there is any objective evidence indicating that the available-for-sale financial assets (debt securities and equity instruments) are impaired.

This assessment includes but is not limited to an analysis of the following information: i) the issuer's economic and financial position, any default or late payments, issuer's solvency, the evolution of its business, short-term projections, trends observed with respect to its earnings and, if applicable, its dividend distribution policy; ii) market-related information such as changes in the general economic situation, changes in the issuer's industry which might affect its ability to pay; iii) changes in the fair value of the security analyzed, and analysis of the reasons of such changes—whether they are specific to the security or the result of the general uncertainty concerning the economy or the country—and iv) independent analysts' reports and forecasts and other independent market information.

In the case of equity instruments, when the changes in the fair value of the equity instrument being evaluated are assessed, the duration and significance of the decline in its market price below cost is taken into account. Nevertheless, it should be noted that the Bank assesses, on a case-by-case basis each of the equity instruments that have incurred losses, and monitors the performance of their market prices, recognizing an impairment loss as soon as it is determined that the recoverable amount could be decreased.

If, after completing the above assessment, the Bank considers that the presence of one or more of these factors affect recovery of the cost of the financial asset, an impairment loss is recognized in the consolidated income statement for the amount of the loss in equity under Valuation adjustments. Also, where the Bank does not intend and/or is not able to hold the investment for a sufficient amount of time to recover the cost, the financial asset is written down to its fair value.

b) Cash flow hedges

Valuation adjustments—Cash flow hedges includes the gains or losses attributable to hedging instruments that qualify as effective hedges. These amounts will remain under this heading until they are recognized in the consolidated income statement in the periods in which the hedged items affect it (see Note 8).

Accordingly, amounts representing valuation losses will be offset in the future by gains generated by the hedged items.

c) Hedges of net investments in foreign operations and Translation adjustments foreign investment

Valuation adjustments—Hedges of net investments in foreign operations includes the net amount of changes in the value of hedging instruments in hedges of net investments in foreign operations, for the portion of these changes considered as effective hedges (Note 8).

Valuation adjustments—Exchange differences includes the net amount of the differences arising on the translation to Reais of the balances of the consolidated entities whose functional currency is not the Reais (Note 2.a).

The Bank has recorded a transaction of investment hedge on its investment in Santander EFC, an independent subsidiary in Spain."Accordingly, amounts representing valuation losses will be offset in the future by gains generated by the hedged instruments.

26. Non-controlling interests

"Non-controlling interests" include the net amount of the equity of subsidiaries attributable to equity instruments that do not belong, directly or indirectly, to the Bank, including the portion attributed to them of profit for the year.

a) Breakdown

The detail, by company, of the balance of "Equity - Non-controlling interests" is as follows:

Thousands of Reais	2012	2011	2010
Agropecuária Tapirapé S.A.	-	-	67
Santander Leasing S.A. Arrendamento Mercantil	796	784	987
Santander Brasil Advisory Services S.A [4]	442	1,712	409
Brasil Foreign Diversified Payment Rights Finance Company	2	2	2
Santander Getnet Serviços para Meios de Pagamentos S.A. [1]	26,633	13,061	6,611
MS Participações Societárias S.A. [2]	-	3,401	-
Santander Serviços Técnicos, Administrativos e de Corretagem de Seguros [3]	221,387	-	-
Total	**249,260**	**18,960**	**8,076**
Profit attributable to non-controlling interests	**10,618**	**7,928**	**481**
Of which:			
Agropecuária Tapirapé S.A.	-	-	3
Santander Leasing S.A. Arrendamento Mercantil	82	83	77
Santander Brasil Advisory Services S.A [4]	70	1,302	276
Santander Getnet Serviços para Meios de Pagamentos S.A. [1]	13,573	6,450	111
MS Participações Societárias S.A. [2]	(2,792)	93	-
Santander Serviços Técnicos, Administrativos e de Corretagem de Seguros [3]	(315)	-	-
Other companies	-	-	14

b) Changes

The changes in the balance of "Non-controlling interests" are summarized as follows:

Thousands of Reais	2012	2011	2010
Balance at beginning of year	**18,960**	**8,076**	**1,338**
Inclusion of companies [1] [2] [3]	222,507	3,308	6,500
Dividends paid	(2,825)	(352)	(164)
Profit attributable to non-controlling interests	10,618	7,928	481
Others	-	-	(79)
Balance at end of year	**249,260**	**18,960**	**8,076**

(1) On January 14, 2010, the Bank signed the contractual and bylaw instruments with GetNet to explore, develop and market transaction capture and processing services involving credit and/or debit cards in the Brazilian market. Santander holds veto power in decisions related to business strategy also enables the Bank to Getnet the use of the branch network the Bank's brand and marketing products, which among other factors determines the Bank's control under the authority.

(2) Refers to minority interests in MS Participações Societárias S.A.

(3) Refers to minority interests in Santander Serviços Técnicos, Administrativos e de Corretagem de Seguros.

(4) On AGE held on August 26, 2011, was approved: (i) the change of name of Santander CHP S.A. to Santander Brasil Advisory Services S.A.; and (ii) changes of corporate purpose.

27. Shareholders' equity

a) Capital

The capital, fully subscribed and paid, is divided into registered shares in dematerialized form, no par value:

	Thousands of shares					
	2012			2011		
	Common	Preferred	Total	Common	Preferred	Total
Brazilian residents	18,079,891	17,841,646	35,921,537	16,000,704	16,052,894	32,053,598
Foreign residents	194,761,841	168,360,739	363,122,580	196,841,028	170,149,491	366,990,519
Total shares	**212,841,732**	**186,202,385**	**399,044,117**	**212,841,732**	**186,202,385**	**399,044,117**
(-) Treasury shares	(568,882)	(517,166)	(1,086,048)	(391,254)	(355,685)	(746,939)
Total outstanding	**212,272,850**	**185,685,219**	**397,958,069**	**212,450,478**	**185,846,700**	**398,297,178**

	Thousands of shares		
	2010		
	Common	Preferred	Total
Brazilian residents	38,084,679	36,130,149	74,214,828
Foreign residents	174,757,053	150,072,236	324,829,289
Total shares	**212,841,732**	**186,202,385**	**399,044,117**

On April 27, 2010, the Extraordinary Stockholders' Meeting approved the proposal of capital increase amounting to R$22,130 thousand, without the issuance of new shares, through the incorporation of capital reserves, which was ratified by Bacen on June 24, 2010.

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 at a rate that is 10% higher than those paid on common shares, and in the capital reimbursement, without premium, in the event of liquidation of the Banco Santander.

Dividend payments have been prepared and will continue to be prepared in accordance with Brazilian Corporate Law.

Before the annual shareholders meeting, the Board of Directors may establish the amount of dividends out of earnings based on (i) balance sheets or earning reserves from the last balance sheet; or (ii) balance sheets issued in the period shorter than 6 months, in which case the payment of dividends shall not exceed the amount of capital reserves. These payments are fully input into the mandatory dividend.

		2012		
		Reais per Thousand Shares / Units		
	Thousands of Reais	Common	Preferred	Units
Interest on capital [1] [4]	400,000	0.9600	1.0560	105.6001
Interim Dividends [2] [5]	490,000	1.1763	1.2939	129.3968
Intercalary Dividends [2] [4]	410,000	0.9842	1.0827	108.2708
Interest on capital [3] [4]	170,000	0.4081	0.4489	44.8927
Interim Dividends [6] [10]	350,000	0.8402	0.9243	92.4273
Intercalary Dividends [6] [9]	150,000	0.3601	0.3961	39.6117
Interest on capital [8] [9]	450,000	1.0804	1.1884	118.8399
Intercalary Dividends [7] [9]	250,000	0.6002	0.6602	66.0221
Total in December 31, 2012	**2,670,000**			

(1) Established by the Board of Directors in March, 2012, Common Shares - R$0.8160, Preferred Shares - R$0.8976 and Units - R$89.7600, net of taxes.
(2) Established by the Board of Directors in June, 2012.
(3) Established by the Board of Directors in June, 2012, Common Shares - R$0.3469, Preferred Shares - R$0.3816 and Units - R$38.1589, net of taxes.
(4) The amount of interest on capital and intercalary dividends will be allocated entirely to the mandatory distribution of income for the year 2012 and was paid in August 29, 2012, without any compensation as monetary.
(5) The amount of interim dividends will be allocated entirely to the supplementary dividends for the year 2012 and was paid in August 29, 2012, without any compensation as monetary.
(6) Established by the Board of Directors in September, 2012.
(7) Established by the Board of Directors in December, 2012.
(8) Established by the Board of Directors in December, 2012, Common Shares - R$0.9183, Preferred Shares - R$1.01016 and Units - R$101.0139, net of taxes.
(9) The amount of the intercalary dividend and interest on capital will be fully imputed to the mandatory dividend for the year of 2012 and were paid from February 26, 2013, without any compensation to monetary.
(10) The amount of interim dividends, R$348,950 will be imputed to the mandatory dividend for the year of 2012 and R$1,050 will be alocated to the supplementary dividend for the year 2012 and both will be paid as of February 26, 2013, without any compensation to monetary.

		2011		
		Reais per Thousand Shares / Units		
	Thousands of Reais [9]	Common	Preferred	Units
Interest on capital [1] [5] [9]	600,000	1.4366	1.5802	158.0216
Intercalary Dividends [2] [5]	273,840	0.6556	0.7212	72.1211
Intercalary Dividends [2] [5] [9]	476,160	1.1401	1.2541	125.4059
Interest on capital [3] [5] [9]	550,000	1.3168	1.4485	144.8532
Intercalary Dividends [4] [5] [9]	100,000	0.2394	0.2634	26.3369
Interest on capital [6] [8] [9]	400,000	0.9592	1.0551	105.5127
Intercalary Dividends [7] [8] [9]	775,000	1.8590	2.0449	204.4944
Total in December 31, 2011	**3,175,000**			

(1) Established by the Board of Directors in March, 2011, Common Shares - R$1.2211, and Preferred Shares - R$1.3432 and Units - R$134.3184, net of taxes.
(2) Established by the Board of Directors in May, 2011.
(3) Established by the Board of Directors in June, 2011, Common Shares - R$1.1193, and Preferred Shares - R$1.2313 and Units - R$123.1252, net of taxes.
(4) Established by Board of Directors in June, 2011.
(5) The amount of interest on capital and dividends intermediate / Intercalary was paid on August 29, 2011.
(6) Established by the Board of Directors in September, 2011, Common Shares - R$0.8153, and Preferred Shares - R$0.8969 and Units - R$89.6858, net of taxes.
(7) Established by Board of Directors in December 2011.
(8) The amount of interest on capital was paid on February 28, 2012.
(9) The amount of intercalary dividends and interest on capital was allocated entirely to the mandatory distribution of income for the year 2011.

	2010			
		Reais per Thousand Shares / Units		
	Thousands of Reais [9]	Common	Preferred	Units
Interest on capital [1] [4]	400,000	0.9577	1.0535	105.3477
Intercalary Dividends [2] [4]	500,000	1.1917	1.3168	131.6847
Interest on capital [3] [4]	400,000	0.9577	1.0535	105.3477
Interest on capital [5] [8]	530,000	1.2690	1.3959	139.5858
Interest on capital [6] [8]	430,000	1.0295	1.1325	113.2488
Intercalary Dividends [7] [8]	1,280,000	3.0647	3.3711	337.1128
Total in December 31, 2010	**3,540,000**			

(1) Established by the Board of Directors in March, 2010, Common Shares - R$0.8141 and Preferred Shares - R$0.8955 and Units - R$89.5456, net of taxes.
(2) Established by the Board of Directors in June, 2010.
(3) Established by the Board of Directors in June, 2010, Common Shares - R$0.8141 and Preferred Shares - R$0.8955 and Units - R$89.5456, net of taxes.
(4) The Amounts for the Interest on Capital were paid on August 25, 2010.
(5) Established by the Board of Directors in September, 2010, Common Shares - R$1.0786 and Preferred Shares - R$1.1865 and Units - R$118.6479, net of taxes.
(6) Established by the board of Directors in December, 2010, Common Shares - R$0.8751, and Preferred Shares - R$0.9626 and Units - R$96.2615, net of taxes.
(7) Established by the Board of Directors in December 2010.
(8) The amounts for the Interest on Capital and Dividends were paid on February 25, 2011, without any additional amount for monetary correction.
(9) The amount for to the Intercalary dividends and interest on capital are fully input into the mandatory dividends, recognized in income for the period ended December 31, 2010.

c) Reserves

The reserves are allocated as follows after the deductions and statutory provisions, from the net income:

Legal reserve

In accordance with Brazilian Corporate Law, 5% in transferred to the legal reserve, until it reaches 20% of the share capital. This reserve is designed to ensure the integrity of the capital and can only be used to offset losses or increase capital.

Capital reserve

The Bank´s capital reserve consists of: reserve of goodwill for the subscription of shares and other capital reserves, and can only be used to absorb losses that exceed retained earnings and profit reserves, redemption, repayment or purchase of shares of our treasury; incorporation of the capital, or payment of dividends to preferred shares in certain circumstances.

Reserve for equalization dividend

After the destination of dividends, the remaining balance if any, may, upon proposal of the Executive Board and approved by the Board of Directors, be destinated to constitute a reserve for equalization of dividends, which is limited to 50% of the Capital. This reserve aims to ensure funds for the payment of dividends, including the form of Interest on Capital, or any interim payment to maintain the flow of shareholders remuneration.

d) Treasury shares

At the meeting held on August 24, 2012, the Board of Directors approved the extension, for one more year, the buyback program certificate of deposit of shares ("Units") approved on August 24, 2011 up to August 24, 2013.

The new Buyback Program aims to: (1) maximize value creations for shareholders through efficient management of capital structure; (2) facilitate the payment of management, managerial employees and other employees of the Bank and companies under its control, in line with the Resolution of the CMN 3921, of November 25, 2010, pursuant to the Plan of Long-Term Incentive and (3) facilitate the management of risk arising the services rendered, by the Bank, of market maker in Brazil of certain index funds, where the Units are included in the theoretical portfolio of reference such funds in accordance with applicable rules. Part of the Units repurchased will be used by the Bank to hedge against price fluctuation of securities that make up the benchmark, and should be bought and sold in accordance with the risk management policy of the Bank.

The Buyback Program will cover the procurement of over to 57,006,302 Units, representing 3,135,346,633 common shares and 2,850,315,121 preferred shares, or ADRs (American Depositary Receipts) by the Bank, or by its Cayman branch, corresponding, on July 31, 2012, approximately 1.5% of the total share capital of the Bank, the same percentage of the previous program.

In 2012 was acquired 3,229,618 Units which held in treasury. The balance accumulated of treasury shares on December 31, 2012, amounting to 8,610,418 Units (December 31, 2011 – 5,380,800) equivalent to R$134,371 (December 31, 2011 – R$79,547). The minimum, weighted average and maximum cost per Unit of the total number of treasury shares is, respectively, R$13.80, R$15.61 and R$18.52. In 2011 was acquired and held in treasury 1,732,900 ADRs, in the amount of R$36,191 (December 31, 2011 - R$33,221). The minimum, weighted average and maximum cost per ADR is US$10.21. The market value of these shares on December 31, 2012 was R$14.97 per Unit and US$7.28 per ADR.

Additionally, during the period of 12 months ended in December 31, 2012, treasury shares were traded, refer to the services of a market maker that resulted in a loss of R$41 (December 31, 2011 - gain of R$13), recorded directly in equity in capital reserves.

28. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Parent by the weighted average number of shares outstanding during the year, excluding the average number of treasury shares held in the year. Diluted earnings per shares is computed in a similar way, including all the dilutuve effects inherent to potential shares (share options).

Basic earnings per share - R$

	2012	2011	2010
Profit attributable to the Parent	**5,448,660**	**7,747,925**	**7,382,093**
Total net income available to controller for common equity owners	2,776,737	3,948,342	3,761,914
Total net income available to controller for preferred equity owners	2,671,923	3,799,583	3,620,179
Weighted average number of shares outstanding			
Common shares	212,319,478	212,841,732	212,841,732
Preferred shares	185,727,487	186,202,385	186,202,385
Basic earnings per share - R$			
Common shares	13.08	18.55	17.67
Preferred shares	14.39	20.41	19.44
Profit attributable to the Parent	**5,448,660**	**7,747,925**	**7,382,093**
Adjusted weighted average number of shares			
Common shares	212,447,333	212,841,732	212,841,732
Preferred shares	185,843,719	186,202,385	186,202,385
Incremental shares from stock options granted under Stock Option Plan (ON)	127,856	-	-
Incremental shares from stock options granted under Stock Option Plan (PN)	116,232	-	-
Diluted earnings per share - R$			
Common shares	13.07	18.55	17.67
Preferred shares	14.38	20.41	19.44

29. Operational Ratios

Financial institutions are required to maintain regulatory capital consistent with their activities, higher to the minimum of 11% of required capital. In July 2008 new regulatory capital measurement rules, under the Basel II Standardized Approach, went into effect, including a new methodology for credit risks and operational risks measurement, analysis and management. This ratio must be calculated on a consolidated basis, as shown below:

	Financial Consolidated [1]		
Thousands of Reais	**2012**	**2011**	**2010**
Adjusted Tier I Regulatory Capital	65,213,301	64,759,590	64,428,741
Tier II Regulatory Capital	5,069,813	6,642,092	7,433,493
Adjusted Regulatory Capital (Tier I and II)	**70,283,114**	**71,401,682**	**71,862,234**
Required Regulatory Capital	**37,131,442**	**31,701,580**	**27,799,273**
Adjusted Portion of Credit Risk [2]	32,409,974	28,761,446	25,630,512
Market Risk Portions [3]	2,951,238	1,219,396	706,803
Operational Risk Portion	1,770,230	1,720,738	1,461,958
Basel II Ratio [4]	**20.8%**	**24.8%**	**28.4%**

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

(2) For the portfolio of individuals, the Central Bank Letter 3.515 of December 3,2010, introduced the risk weighting of 150% for lending operations over 24 months, allowing some exceptions given the type of operation, maturity and guarantees related. However, in November 11, 2011, the Central Bank annulled the Letter 3.515 and published Letter 3.563 which requires the application of the 150% funding for the financial operations of vehicles, reduces the risk weight for credit contracted consigned up to July 2011 from 150% to 75% or 100% and raises the risk weighting of 300% of the payroll loans and personal loans with no specific purpose with a term over 60 months, contracted as of November 14, 2011.

(3) Includes portions for market risk exposures subject to variations in rates of foreign currency coupons (PJUR2), price indexes (PJUR3) and interest rate (PJUR1/PJUR4), the price of commodities (PCOM), the price of shares classified as trading portfolios (PACS), and portions for gold exposure and foreign currency transactions subject to foreign exchange (PCAM).

(4) Excluding the effect of goodwill on the merger of shares in Banco ABN AMRO Real S.A. (Banco Real) and AAB Dois Par, the Basel ratio is 17.7% (2011 - 20.2% and 2010 – 22.4%).

Banco Santander, according to Bacen Circular 3,477/2009, will publish information relating to risk management and Regulatory Capital (PRE). A report with further details of the structure and methodology will be disclosed in the legal deadline, at the website www.santander.com.br\ri.

Financial institutions are required to maintain investments in permanent assets compatible with adjusted regulatory capital. Funds invested in permanent assets, calculated on a consolidated basis, are limited to 50% of regulatory capital, as per prevailing regulation. On December 31, 2012, 2011 and 2010, Banco Santander classifies for said index.

30. Interest and similar income

“Interest and similar income” in the consolidated income statement comprises the interest accruing in the year on all financial assets with an implicit or explicit return, calculated by applying the effective interest method, irrespective of measurement at fair value; and the rectifications of income as a result of hedge accounting. Interest is recognized gross, without deducting any tax withheld at source.

The breakdown of the main interest and similar income items earned in 2012, 2011 and 2010 is as follows:

Thousands of Reais	**2012**	**2011**	**2010**
Cash and balances with the Brazilian Central Bank	5,731,269	6,297,438	3,589,924
Loans and amounts due from credit institutions	1,042,090	1,219,218	1,397,840
Loans and advances to customers	38,735,467	35,397,614	29,290,024
Debt instruments	6,081,759	8,084,155	6,442,288
Pension plans (Note 22.b)	-	55,103	-
Other interest	1,070,097	682,552	189,128
Total	**52,660,682**	**51,736,080**	**40,909,204**

31. Interest expense and similar charges

"Interest expense and similar charges" in the consolidated income statement includes the interest accruing in the year on all financial liabilities with an implicit or explicit return, including remuneration in kind, calculated by applying the effective interest method, irrespective of measurement at fair value; the rectifications of cost as a result of hedge accounting; and the interest cost attributable to pension funds.

The breakdown of the main items of interest expense and similar charges accrued in 2012, 2011 and 2010 is as follows:

Thousands of Reais	2012	2011	2010
Deposits from credit institutions	1,585,375	2,006,136	1,146,688
Customer deposits	13,494,019	16,494,482	12,773,546
Marketable debt securities and subordinated liabilities:			
Marketable debt securities (note 18)	3,662,370	3,226,644	1,212,962
Subordinated liabilities (note 19)	1,010,807	1,213,239	999,423
Pensions (note 22.b)	188,028	145,181	156,419
Other interest	1,028,213	748,634	525,088
Total	**20,968,812**	**23,834,316**	**16,814,126**

32. Income from equity instruments

"Income from equity instruments" includes the dividends and payments on equity instruments out of profits generated by investees after the acquisition of the equity interest.

The breakdown of the balance of this item is as follows:

Thousands of Reais	2012	2011	2010
Equity instruments classified as:			
Financial assets held for trading	16,064	5,187	9,762
Available-for-sale financial assets	16,653	88,540	41,959
Other financial instruments at fair value through profit or loss	61,019	-	-
Total	**93,736**	**93,727**	**51,721**

33. Fee and commission income

"Fee and commission income" comprises the amount of all fees and commissions accruing in favor of the Bank in the year, except those that form an integral part of the effective interest rate on financial instruments.

The breakdown of the balance of this item is as follows:

Thousands of Reais	2012	2011	2010
Collection and payment services:			
Bills	417,793	374,103	384,942
Demand accounts	1,683,885	1,624,466	1,600,182
Cards	2,794,822	1,940,239	1,322,444
Checks and other	594,172	606,142	597,102
Orders	265,221	223,354	233,100
Total	**5,755,893**	**4,768,304**	**4,137,770**
Marketing of non-banking financial products:			
Investment funds	1,181,518	1,189,527	1,108,586
Insurance	1,379,626	1,273,137	992,088
Capitalization	280,101	266,620	238,777
Total	**2,841,245**	**2,729,284**	**2,339,451**
Securities services:			
Securities underwriting and placement	207,893	272,714	374,368
Securities trading	120,457	101,104	136,916
Administration and custody	97,395	102,603	109,353
Asset management	2,182	2,963	2,932
Total	**427,927**	**479,384**	**623,569**
Other:			
Foreign exchange	326,542	351,768	310,311
Financial guarantees	255,544	232,688	248,127
Other fees and commissions	147,260	207,742	174,065
Total	**729,346**	**792,198**	**732,503**
Total	**9,754,411**	**8,769,170**	**7,833,293**

34. Fee and commission expense

"Fee and commission expense" shows the amount of all fees and commissions paid or payable by the Bank in the year, except those that form an integral part of the effective interest rate on financial instruments.

The breakdown of the balance of this item is as follows:

Thousands of Reais	2012	2011	2010
Fees and commissions assigned to third parties	1,376,331	1,015,786	660,802
Of which: Credit cards	1,187,134	834,412	463,391
Other fees and commissions [1]	624,654	413,886	336,983
Total	**2,000,985**	**1,429,672**	**997,785**

(1) Permanent difference related of foreign currency exchange variation on investments abroad nontaxable/deductible.

35. Gains (losses) on financial assets and liabilities (net)

Gains (losses) on financial assets and liabilities (net)" includes the amount of the valuation adjustments of financial instruments, except those attributable to interest accrued as a result of application of the effective interest method and to allowances, and the gains or losses derived from the sale and purchase thereof.

The breakdown of the balance of this item, by type of instrument, is as follows:

Thousands of Reais	2012	2011	2010
Held for trading [1]	(1,456,274)	(902,167)	1,159,058
Other financial instruments at fair value through profit or loss [2]	238,208	57,039	(26,828)
Financial instruments not measured at fair value through profit or loss	655,983	705,279	254,162
Of which: Available-for-sale financial assets			
Debt instruments	592,955	452,972	31,397
Equity instruments	63,028	256,694	204,592
Hedging derivatives and other	13,877	26,190	71,758
Total	**(548,206)**	**(113,659)**	**1,458,150**

(1) Includes the economic hedge of the Bank's position in Cayman, which is a non-autonomous subsidiary (note 23).
(2) Includes the net gain arising from transactions involving debt securities, equity instruments and derivatives included in this portfolio, since the Bank manages its risk in these instruments on a global basis.

36. Exchange differences (net)

"Exchange differences (net)" shows the gains or losses on foreign currency transactions, the differences that arise on translations of monetary items in foreign currencies to the functional currency, and those disclosed on non-monetary assets in foreign currency at the time of their disposal.

37. Other operating income (expense)

The breakdown of "Other operating income (expense)" is as follows:

Thousands of Reais	2012	2011	2010
Profit from insurance contracts	-	432,135	311,835
Of which:			
Income from insurance contracts	-	4,132,663	6,830,524
Expense from insurance contracts	-	(3,700,528)	(6,518,689)
Other operating income	395,670	539,737	148,337
Other operating expense	(832,870)	(1,167,571)	(642,970)
Contributions to fund guarantee of credit - FGC	(187,791)	(183,719)	(165,201)
Total	**(624,991)**	**(379,418)**	**(347,999)**

38. Personnel expenses

a) Breakdown

The breakdown of "Personnel expenses" is as follows:

Thousands of Reais	2012	2011	2010
Wages and salaries	4,318,499	4,191,813	3,731,340
Social security costs	1,190,899	1,091,585	993,971
Benefits	984,755	865,517	791,361
Defined benefit pension plans (note 22.b)	42,798	19,460	16,212
Contributions to defined contribution pension plans	65,062	55,425	49,641
Share-based compensation	129,441	95,689	90,461
Training	140,704	115,725	92,974
Other personnel expenses	254,628	208,517	160,216
Total	**7,126,786**	**6,643,731**	**5,926,176**

b) Share-Based Compensation

Banco Santander has long-term compensation plans linked to the market price of the shares. The members of the Executive Board and other key employees of Banco Santander are eligible for these plans, besides the members selected by the Board of Directors and informed to the Human Resources, which selection may fall according to the seniority of the group. For the members of the Board of Directors to be eligible, it is necessary to exercise Executive Board functions.

b.1) Local Program

The Extraordinary Shareholders' Meeting of Banco Santander held on February 3, 2010 approved the Share-Based Compensation Program - Units of Banco Santander (Local Plan), consisting of two independent plans: Stock Option Plan for Share Deposit Certificates - Units (SOP) and Long-Term Incentive Plan - Investment in Share Deposit Certificates - Units (PSP).

On 25 October 2011, Banco Santander held an Extraordinary General Meeting, which approved the grant of the Incentive Plan Long Term (SOP 2014) - Investment in Certificates of Deposit Shares ("Units") to certain directors and Managerial level employees of the Company and companies under its control.

The characteristic of each plan are:

SOP Plan: It is a 3 year Stock Option Plan by which new shares of the Banco Santander are issued, as a manner of retaining the officers' commitment to long-term results. The period for exercising the options starts on June 30, 2012 and is two years longer than the vesting period. The volume equivalent to 1/3 of the Units resulting from the exercise of options cannot be sold by the participant during a period of one year from the exercise date of each unit.

Long-Term Incentive Plan - SOP 2014: It is a 3 year Stock Option Plan. The period for exercise begins on June 30, 2014 until June 30, 2016. The number of Units exercisable by the participants will be determined according to the result of the determination of a performance parameter of the Company: total Shareholder Return (TSR) and may be reduced if failure to achieve the goals of reducing the Return on Risk Adjusted Capital (RORAC), comparison between realized and budgeted in each year, as determined by the Board of Directors. Additionally, it is necessary that the participant remains in the Company during the term of the Plan to acquire a position to exercise the corresponding Units.

PSP Plan: It is a compensation plan based on shares settled in cash, launched in three-year cycles, retaining the executives' commitment to long-term results. The minimum amount, corresponding to 50% of the compensation settled in cash, should be used by the participant to acquire Units, which cannot be sold during a period of 1 year from the exercise date.

b.1.1) Fair Value and Plans Performance Parameters

For accounting of the Local Program plans, an independent consultant promoted simulations based on Monte Carlo methodology's, as presented the performance parameters used to calculate the shares to be granted. Such parameters are associated with their respective probabilities of occurrence, which are updated at the close of each period.

Total Shareholder Return (TSR) rank	SOP, PI12 - PSP and PI13 - PSP Plans and PI14 - PSP[1]	SOP 2014 [2] % of Exercisable Shares
1st	50%	100%
2nd	35%	75%
3th	25%	50%
4th	0%	25%

(1) Associated with the TSR, the remaining 50% of the shares subject to exercise refer to the realization of net income vs. budgeted profit.

(2) The percentage of shares determined at the position of TSR is subject to a penalty according to the implementation of the Return on Risk Adjusted Capital (RORAC).

For measurement of the fair value the following premises was used:

	PI14 - PSP	PI13 - PSP	PI12 - PSP
Method of Assessment	Binomial	Binomial	Binomial
Volatility	57.37%	57.37%	57.37%
Probability of Occurrence	37.81%	38.58%	43.11%
Risk-Free Rate	10.50%	10.50%	11.18%

	SOP 2014	SOP plan
Method of Assessment	Black&Scholes	Binomial
Volatility	40.00%	57.37%
Rate of Dividends	3.00%	5.43%
Vesting Period	2 years	2,72 years
Average Exercise Time	5 years	3,72 years
Risk-Free Rate	10.50%	11.18%
Probability of Occurrence	71.26%	43.11%
Fair Value of the Option Shares	R$6,45	R$7,19

The average value of shares SANB11 in the end of the year is R$14.93 (2011 - R$14.96 and 2010 - R$21.90).

On 2012, daily pro-rata expenses amounting R$44,917 (2011 - R$13,153 and 2010 - R$20,976), relating to the SOP plan and R$12,616 (2011 - R$15,910 and 2010 - R$6,525) relating to the PSP plan. Also recorded in the period a gain with the movement of the market value of the share of the PSP Plan in the amount of R$2,361 as "Gains (losses) on financial assets and liabilities (net) - Others".

	Number of Shares	Exercise Price in Reais	Year Granted	Employees	Date of Commencement of Exercise Period	Expiration Date of Exercise Period
Balance on December 31, 2009	**-**					
Granted SOP options	15,500,000	23.50	2010	Managers	02/03/10	06/30/14
Granted PSP options	1,471,475	-	2010	Managers	02/03/10	06/30/12
Cancelled SOP options	(2,877,141)	23.50	2010	Managers	02/03/10	06/30/14
Cancelled PSP options	(179,802)	-	2010	Managers	02/03/10	06/30/12
Final Balance on December 31, 2010	**13,914,532**					
Cancelled PI12 - PSP options	(106,718)	-	2010	Managers	02/03/10	6/30/2012
Cancelled PI12 - SOP options	40,479	23.50	2010	Managers	02/03/10	6/30/2014
Granted PI13 - PSP options	1,498,700	-	2011	Managers	02/03/10	6/30/2013
Cancelled PI13 - PSP options	(130,493)	-	2011	Managers	02/03/10	6/30/2013
Granted SOP 2014 options	14,450,000	14.31	2011	Managers	10/26/11	12/31/2013
Final Balance on December 31, 2011	**29,666,500**					
Cancelled PI12 - PSP options	(698,103)	-	2010	Managers	02/03/10	06/30/12
Exercised (PI12 - PSP)	(486,852)	-	2010	Managers	02/03/10	06/30/12
Cancelled PI12 - PSP options	(7,759,571)	23.50	2010	Managers	02/03/10	06/30/14
Cancelled PI13 - PSP options	(72,209)	-	2011	Managers	02/03/10	06/30/13
Granted PI14 - PSP options	1,910,000	-	2012	Managers	05/29/12	06/30/14
Cancelled PI14 - PSP options	(106,226)	-	2012	Managers	05/29/12	06/30/14
Cancelled SOP 2014	(2,393,163)	14.31	2011	Managers	10/26/11	12/31/13
Granted SOP 2014	5,855,000	14.31	2012	Managers	10/26/11	12/31/13
Final Balance on December 31, 2012	**25,915,376**					
SOP	4,903,767	23.50	2010	Managers	02/03/10	06/30/14
PI12 - PSP	-	-	2010	Managers	02/03/10	06/30/12
PI14 - PSP	1,803,774	-	2012	Managers	05/29/12	06/30/14
SOP 2014	17,911,837	14.31	2011	Managers	10/26/11	12/31/13
Total	**24,619,378**					

b.2) Global Program

Long-Term Incentive Policy

The Board of Directors' of Santander Spain approved in a meeting held on March 26, 2008, the long-term incentive policy intended for the executives of Banco Santander Spain and the Santander Group companies (except Banco Español de Crédito, S.A. - Banesto). This policy provides for compensation tied to the performance of the stock of Santander Spain, as established in the Annual Stockholders' Meeting.

Among the plans of Banco Santander Spain, Conglomerate Santander's executives in Brazil already participate in the Stock Plan Tied to Goals: multiyear plan paid in shares of Banco Santander Spain. This plan's beneficiaries are the Executive Officers and other members of Top Management, as well as any other group of executives identified by the Executive Board or the Executive Committee.

This plan involves three-years cycles for the delivery of shares to the grantees. The first two cycles started in July 2007, with the first cycle lasting two years (Plan I09) and the other cycles lasting three years, on average (Plan I10/Plan I11/Plan I12/Plan I13 and Plan I14). Therefore since 2009 a new cycle beginnings and the closure of a previous cycle. 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.

For each cycle is set a maximum number of shares for each grantee who continued working at Grupo Santander Spain during the plan. The objectives whose fulfillment determine the number of shares distributed are defined by comparing the performance of Grupo Santander Spain in relation to a Reference Group (financial institutions) and are related to two parameters: RTA and growth in Earnings / Benefit for Action (BPA).

Each of these parameters has a weight of 50% in the determination of the percentage of shares to be granted. The number of shares to be granted is determined in each cycle by the goal attainment level on the third anniversary of the start of each cycle (except the first cycle, for which the second anniversary will be considered).

From the plan PI12 the purpose determines the number of actions relate just one performance condition, which has 100% weight in the percentage of shares to be distributed: the TSR Group.

Global Plan Fair Value

It was assumed that the grantee will not leave the Bank's employment during the term of each plan. The fair value of the 50% linked to the Bank's relative TSR position was calculated, on the grant date, on the basis of the report provided by external valuators whose assessment was carried out using a Monte Carlo valuation model, performing 10 thousand simulations to determine the TSR of each of the companies in the Benchmark Group, taking into account the variables set forth below. The results (each of which represents the delivery of a number of shares) are classified in decreasing order by calculating the weighted average and discounting the amount at the risk-free interest rate.

	PI10	PI11	PI12	PI13	PI14
Expected volatility (*)	15.67%	19.31%	42.36%	49.64%	51.35%
Annual dividend yield based on last five years	3.24%	3.47%	4.88%	6.33%	6.06%
Risk-free interest rate (Treasury Bond yield –zero coupon) over the period of the plan	4.50%	4.84%	2.04%	3.33%	4.07%

(*) calculated on the basis of historical volatility over the corresponding period (two or three years).

In view of the high correlation between TSR and EPS, it was considered feasible to extrapolate that (in a high percentage of cases) the TSR value is also valid for EPS. Therefore, it was initially determined that the fair value of the portion of the plans linked to the Bank's relative EPS position, i.e. of the remaining 50% of the options granted, was the same as that of the 50% corresponding to the TSR. Since this valuation refers to a non-market condition, it is reviewed and adjusted on a yearly basis.

	Number of Shares	Granted Year	Employees	Data of Commencement of Exercise Period	Data of Expiry of Exercise Period
Final Balance on December 31, 2009	**4,009,594**				
Exercised Options (PI10)	(1,161,014)	2007	Managers	06/23/07	07/31/10
Cancelled Options (PI10)	(82,341)	2007	Managers	06/23/07	07/31/10
Granted Options (PI12)	86,198	2009	Managers	06/19/09	07/31/12
Granted Options (PI13)	597,811	2010	Managers	07/01/10	07/31/13
Final Balance on December 31, 2010	**3,450,248**				
Exercised Options (PI11)	(1,783,945)	2008	Managers	06/21/08	07/31/11
Cancelled Options (PI11)	(527,286)	2008	Managers	06/21/08	07/31/11
Granted Options (PI14)	531,684	2011	Managers	07/01/11	07/31/14
Final Balance on December 31, 2011	**1,670,701**				
Exercised Options (PI11)	(137,299)	2009	Managers	06/19/09	07/31/12
Cancelled Options (PI11)	(403,907)	2009	Managers	06/19/09	07/31/12
Cancelled Options (PI14)	(59,373)	2011	Managers	07/01/11	07/31/14
Final Balance on December 31, 2012	**1,070,122**				
Plan I12	-	2009	Managers	06/19/09	07/31/12
Plan I13	597,811	2010	Managers	07/01/10	07/31/13
Plan I14	472,311	2011	Managers	07/01/11	07/31/14
Total	**1,070,122**				

On 2012, pro rata expenses were recognized in the amount of R$5,316 (2011 - R$10,147 and 2010 - R$14,393), related to the costs of the cycles mentioned above, regarding the total amount of the Global Program Plans. In 2010, include the pro rata expenses for PI10, which had its last cycle closed in July 2010. Expenses related to these plans are recognized in "Other liabilities - Provision for share-based payment" because they are settled in cash (note 24).

Plans do not result in dilution of the share capital of the Bank, because they are paid in shares of Banco Santander Spain.

b.3) Share-Based Bonus

The Annual Shareholders' Meeting of Banco Santander Spain, held on June 11, 2010, approved the new policy for executive compensation through a share-based bonus plan effective for all the companies of the Group, including Santander Brasil. This new policy, subject to adjustments applicable to Santander Brasil, were approved by Appointment and Compensation Committee and Board of Directors at the meeting held on February 2, 2011.

The plan's objectives are: (i) to align the compensation program with the principles of the "Financial Stability Board" (FSB) agreed upon at the G20; (ii) to align Banco Santander's interests with those of the plan's participants (to achieve the sustainable and recurring growth and profitability of Banco Santander's businesses and to recognize the participants' contributions); (iii) to allow the retention of participants; and (iv) to improve Banco Santander's performance and defend the interests of shareholders via a long-term commitment.

The purpose of the plan is the cash payment of part of the variable compensation owed by Banco Santander to the plan's participants pursuant to the Bank's compensation policy, based on the future performance of the bank's shares.

The payment of share-based bonus is within the limits of the overall management compensation approved by Banco Santander's Annual Shareholders' Meeting.

The total number of shares on which the compensation plan is based will be settled in three installments and equally allocated to each of the three fiscal years following the reference year.

On December 21, 2011, the Board of Directors approved the proposed new incentive plan (deferred) for payment of the variable remuneration of directors and certain employees, which was be subject to resolution of the ordinary general meeting February 7, 2012.

This proposal are certain requirements for deferred payment of part of the future variable compensation due to its managers and other employees, given the financial basis for sustainable long-term adjustments in future payments due to the risks assumed and fluctuations in cost of capital.

The plan is divided into 3 programs:

a) Supervised Collective - Participants of the Executive Committee and other executives who take significant risks in the Bank and responsible for the control areas. The deferral will be half in cash, indexed to 100% of CDI and half in shares. On the year ended on December 31, 2012, was recorded expense amounting R$67,050 (2011- R$56,479).

b) Collective unsupervised - Statutory Directors - not part of the Statutory Directors' Collective Supervised ", the amount deferred will be paid 100% in cash tied to the future performance of the Units" SANB11". On the year ended on December 31, 2012, there were credits in the amount of R$1,930 (in 2011, no expenses was recorded) regarding the provision of the plan, and was recorded the oscillation of the share market value of the plan in the amount of R$985 as personal expenses.

c) Unsupervised Collective - Employees - managerial employees and other employees of the organization that will be benefited from the deferral plan. The deferred amount will be paid 100% cash, indexed to 120% of CDI. On the year ended on December 31, 2012, there were expense of R$1,472 (in 2011, no expenses was recorded).

On December 19, 2012, the Board of Directors approved the proposed new Incentive Plan (deferral) for payment of variable remuneration of directors and certain employees, which will be subject to approval of the Extraordinary General Meeting on February 15, 2013.

In this proposal are certain requirements for future deferred payment of a portion of the variable remuneration due to its managers and other employees, considering the long-term sustainable financial foundations and adjustments in future payments depending on the risks assumed and fluctuations in the cost of capital.

The plan is divided into 2 programs:

• Statutory and Executive Officers - Directors and Statutory Directors that take significant risks in the Bank and in charge of the control areas. The deferral will be half in cash, indexed to 100% of CDI and half in Units "SANB11";

• Unsupervised Collective (Employees) - Employees at management level and other employees of the organization who will be benefited by the deferral plan. The deferred amount will be 100% in cash, indexed to 110% of CDI.

39. Other administrative expenses

a) Breakdown

The breakdown of the balance of this item is as follows:

Thousands of Reais	2012	2011	2010
Property, fixtures and supplies	1,171,071	1,087,222	965,633
Technology and systems	1,074,557	1,006,015	888,922
Advertising	499,056	493,630	421,643
Communications	573,540	566,083	554,713
Per diems and travel expenses	174,667	174,166	150,875
Taxes other than income tax	65,374	58,633	88,833
Surveillance and cash courier services	563,886	521,462	513,325
Insurance premiums	12,003	10,234	8,811
Specialized and technical services	1,720,080	1,563,545	1,504,306
Technical reports	377,435	363,525	380,866
Others specialized and technical services	1,342,645	1,200,020	1,123,440
Other administrative expenses	222,628	247,911	207,365
Total	**6,076,862**	**5,728,901**	**5,304,426**

b) Other information

The balance of "Technical reports" includes the fees paid by the consolidated companies (detailed in the accompanying Appendix I) to their respective auditors, the detail being as follows:

Thousands of Reais	2012	2011	2010
Audit of the annual financial statements and audit related services of the companies audited by Deloitte (constant scope of consolidation)	11,135	8,828	9,054

Services provided by others audit firms totaled R$3.7 million (2011 - R$5.4 million and 2010 - R$15.0 million).

40. Gains (losses) on disposal of assets not classified as non-current assets held for sale

The breakdown of the balance of this item is as follows:

Thousands of Reais	2012	2011	2010
Gains	**501,274**	**6,759**	**341**
On disposal of tangible assets [1]	352,782	6,759	229
On disposal of investments [2]	148,492	-	112
Losses	**(268)**	**(1,439)**	**(59,527)**
On disposal of tangible assets	(268)	(1,439)	(260)
On disposal of investments	-	-	(59,267)
Total	**501,006**	**5,320**	**(59,186)**

(1) In 2012, includes R$334,593 related to the gain on sale of property for Fundo Imobiliário. This fund has administration and management by third parties.

(2) In 2012, includes R$148,492 related to the capital variation in the percentage of participacion of the bank by the segregation of the equity investments of temporary nature (private equity), investments in related business services complementary to banking services (Appendix 1).

41. Gains (losses) on disposal and expenses of non-current assets held for sale not classified as discontinued operations

It refers basically to the result on disposal of property received in the processes of recovery of loans to customers and the provision of the recoverable value of these assets. In 2011, includes R$424,292 gain on sale of Zurich Santander Brasil Seguros e Previdência S.A (note 3.b). In 2010, includes R$106,827 of gain on sale of office buildings, mainly related to the move to new headquarter.

42. Other disclosures

a) Guarantees and commitments

The Bank provides a variety of guarantees to its customers to improve their credit standing and allow them to compete. The following table summarizes at December 31, 2012, 2011 and 2010 all of the guarantees.

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

Thousands of Reais	2012	2011	2010
Maximum potential amount of future payments			
Contingent liabilities			
Guarantees and other sureties	27,117,592	21,871,792	22,122,410
Financial guarantees	25,481,319	17,818,624	18,117,260
Performance guarantees	280,755	910,655	907,676
Financial letters of credit	1,019,623	2,213,135	2,823,715
Other	335,895	929,378	273,759
Other contingent exposures	945,555	700,160	440,702
Documentary Credits	945,555	700,160	440,702
Total Contingent Liabilities	**28,063,147**	**22,571,952**	**22,563,112**
Commitments			
Loan commitments drawable by third parties [1]	106,754,302	98,552,891	93,472,343
Total Commitments	**106,754,302**	**98,552,891**	**93,472,343**
Total	**134,817,449**	**121,124,843**	**116,035,455**

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

Financial guarantees are provided to our clients in respect of their obligations to third parties. We have the right to seek reimbursement from our clients for any amount we shall have to pay under such guarantee. Additionally, we may hold cash or other highly liquid collateral for these guarantees. These guarantees are subject to the same credit evaluation performed on the origination of loans.

We expect many of these guarantees to expire without the need to disburse any cash. Therefore, in the ordinary course of business, we expect that these guarantees will have virtually no impact on our liquidity.

Performance guarantees are issued to guaranteed customers obligations such as to make contractually specified investments, to supply specified products, commodities, or maintenance or warranty services to a third party, completion of projects in accordance with contract terms, etc. Financial standby letters of credit include guarantees of payment of loans, credit facilities, promissory notes and trade acceptances. The Bank always requires collateral to grant this kind of financial guarantees. In Documentary Credits, the Bank acts as a payment intermediary between trading companies located in different countries (import-export transactions). Under a documentary credit transaction, the parties involved deal with the documents rather than the commodities to which the documents may relate. Usually the traded commodities are used as collateral to the transaction and the Bank may provide some credit facilities. Loan commitments drawable by third parties include mostly credit card lines and commercial commitments. Credit card lines are unconditionally cancelable by the issuer. Commercial commitments are mostly 1 year facilities subject to information requirements to be provided by our customers.

The risk criteria followed to issue all kinds of guarantees, financial standby letters of credit, documentary credits and any risks of signature are in general the same as those used for other products of credit risk, and therefore subject to the same admission and monitoring standards. The guarantees granted on behalf of our customers are subject to the same credit quality review process as any other risk product. On a regular basis, at least once a year, the solvency of the mentioned customers is checked as well as the probability of those guarantees to be executed. In case that any doubt on the customer's solvency may arise we create allowances with charge to net income, by the amount of the inherent losses even if there is no claim to us.

The provision for losses on the non-recovery guarantees and other securities (Note 9.c) is recorded as "Impairment losses on financial assets (net)" on consolidated income statement and its calculation is described in note 2.h.

Additionally, the liability recognized as deferred revenue for the premium received for providing the above guarantees, which is being amortized into income over the life of the related guarantees is R$131,955 (2011 - R$76,324 and 2010 - R$80,056).

b) Off-balance-sheet funds under management

The detail of off-balance-sheet funds managed by the Bank is as follows:

Thousands of Reais	2012	2011	2010
Investment funds	104,461,015	104,877,454	102,516,308
Assets under management	9,393,269	8,144,334	8,822,049
Total	**113,854,284**	**113,021,788**	**111,338,357**

c) Third-party securities held in custody

At December 31, 2012, the Bank held in custody debt securities and equity instruments totaling R$79,719,901 (2011 - R$122,198,361 and 2010 - R$194,063,773) entrusted to it by third parties.

d) Residual maturity periods and Average interest rates

The breakdown, by maturity, of the balances of certain items in the consolidated balance sheets is as follows:

	2012 Thousands of Reais							
	On Demand	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	After 5 Years	Total	Average Interest Rate
Assets:								
Cash and balances with the Brazilian Central Bank	38,198,101	10,205,643	7,131,496	-	-	-	55,535,240	7.3%
Debt instruments	-	5,607,527	6,430,543	19,424,651	36,226,923	2,395,434	70,085,078	9.6%
Equity instruments	2,631,705	-	-	-	-	-	2,631,705	
Loans and amounts due from credit institutions	10,578,691	7,475,012	3,585,485	1,260,606	-	7,018,403	29,918,197	7.3%
Loans and advances to customer, gross	9,532,378	57,727,291	55,012,123	51,713,899	12,465,248	24,289,730	210,740,669	20.9%
Total	**60,940,875**	**81,015,473**	**72,159,647**	**72,399,156**	**48,692,171**	**33,703,567**	**368,910,889**	**15.5%**
Liabilities:								
Financial liabilities at amortized cost:								
Deposits from credit institutions	434,853	14,418,896	13,719,558	4,663,551	777,383	1,059,385	35,073,626	8.4%
Customer deposits	41,094,568	39,996,790	20,421,839	63,229,707	17,608,936	6,243,090	188,594,930	7.3%
Marketable debt securities	-	10,833,946	20,715,152	16,817,641	5,621,656	23,623	54,012,018	7.3%
Subordinated liabilities	-	721,196	3,006,549	2,336,613	5,587,196	267,597	11,919,151	8.7%
Other financial liabilities	254,666	16,795,033	61,924	264,858	-	-	17,376,481	
Total	**41,784,087**	**82,765,861**	**57,925,022**	**87,312,370**	**29,595,171**	**7,593,695**	**306,976,206**	**7.5%**
Difference (assets less liabilities)	**19,156,788**	**(1,750,388)**	**14,234,625**	**(14,913,214)**	**19,097,000**	**26,109,872**	**61,934,683**	

	2011 Thousands of Reais							
	On Demand	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	After 5 Years	Total	Average Interest Rate
Assets:								
Cash and balances with the Brazilian Central Bank	48,330,086	10,073,723	7,534,194	-	-	-	65,938,003	11.3%
Debt instruments	-	6,498,289	5,795,261	25,972,025	12,507,634	18,118,048	68,891,257	11.0%
Equity instruments	2,130,575	-	-	-	-	-	2,130,575	
Loans and amounts due from credit institutions	5,731,172	2,309,372	2,199,399	1,189,022	1,919,282	6,341,427	19,689,674	9.7%
Loans and advances to customer, gross	10,113,580	44,546,345	59,788,958	52,036,749	19,390,744	8,308,061	194,184,437	23.7%
Total	**66,305,413**	**63,427,729**	**75,317,812**	**79,197,796**	**33,817,660**	**32,767,536**	**350,833,946**	**17.9%**
Liabilities:								
Financial liabilities at amortized cost:								
Deposits from credit institutions	618,585	29,430,719	12,555,672	6,923,632	1,043,065	955,348	51,527,021	9.2%
Customer deposits	37,035,145	40,490,745	19,044,846	56,390,445	15,123,854	6,388,856	174,473,891	9.6%
Marketable debt securities	-	3,389,679	16,130,779	15,781,068	3,204,393	84,504	38,590,423	8.8%
Subordinated liabilities	-	-	-	5,402,364	5,269,434	236,546	10,908,344	11.2%
Other financial liabilities	176,974	15,461,434	45,819	267,780	-	-	15,952,007	
Total	**37,830,704**	**88,772,577**	**47,777,116**	**84,765,289**	**24,640,746**	**7,665,254**	**291,451,686**	**9.5%**
Difference (assets less liabilities)	**28,474,709**	**(25,344,848)**	**27,540,696**	**(5,567,493)**	**9,176,914**	**25,102,282**	**59,382,260**	

	2010 Thousands of Reais							
	On Demand	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	After 5 Years	Total	Average Interest Rate
Assets:								
Cash and balances with the Brazilian Central Bank	44,343,701	7,966,178	4,490,272	-	-	-	56,800,151	11.0%
Debt instruments	-	6,705,785	3,455,031	36,393,309	6,947,815	8,754,287	62,256,227	11.5%
Equity instruments	22,435,327	-	-	-	-	-	22,435,327	
Loans and amounts due from credit institutions	5,735,109	1,747,182	2,319,266	946,794	3,716,619	8,533,246	22,998,216	6.7%
Loans and advances to customer, gross	9,744,791	37,616,374	51,095,094	45,347,623	10,536,509	6,217,932	160,558,323	21.3%
Total	**82,258,928**	**54,035,519**	**61,359,663**	**82,687,726**	**21,200,943**	**23,505,465**	**325,048,244**	**15.1%**
Liabilities:								
Financial liabilities at amortized cost:								
Deposits from credit institutions	856,322	19,304,849	10,358,095	10,669,471	524,889	677,946	42,391,572	6.0%
Customer deposits	46,603,707	28,910,116	26,300,047	58,599,472	4,401,853	3,134,006	167,949,201	9.7%
Marketable debt securities	-	3,194,214	6,446,755	7,422,491	2,482,347	540,838	20,086,645	10.4%
Subordinated liabilities	-	-	-	3,010,208	1,902,811	4,782,086	9,695,105	10.9%
Other financial liabilities	2,432,612	10,608,134	20,440	157,062	-	-	13,218,248	
Total	**49,892,641**	**62,017,313**	**43,125,337**	**79,858,704**	**9,311,900**	**9,134,876**	**253,340,771**	**9.2%**
Difference (assets less liabilities)	**32,366,287**	**(7,981,794)**	**18,234,326**	**2,829,022**	**11,889,043**	**14,370,589**	**71,707,473**	

e) Equivalent Reais value of assets and liabilities

The detail of the main foreign currency balances in the consolidated balance sheet, based on the nature of the related items, is as follows:

Equivalent Value in Thousands of Reais	2012		2011		2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash and balances with the Brazilian Central Bank	109,310	-	71,341	-	66,065	-
Financial assets/liabilities held for trading	1,025,541	1,609,662	1,441,332	1,370,402	1,127,863	1,050,380
Available-for-sale financial assets	406,900	-	701,636	-	1,057,000	-
Loans and receivables	12,902,249	-	22,060,787	-	21,437,906	-
Financial liabilities at amortized cost	-	30,434,449	-	27,087,602	-	22,926,205
Total	**14,444,000**	**32,044,111**	**24,275,096**	**28,458,004**	**23,688,834**	**23,976,585**

f) Fair value of financial assets and liabilities not measured at fair value

The financial assets owned by the Bank are measured at fair value in the accompanying consolidated balance sheet, except for loans and receivables.

Similarly, the Bank's financial liabilities except for financial liabilities held for trading and those measured at fair value - are measured at amortized cost in the consolidated balance sheet.

i) Financial assets measured at other than fair value

Following is a comparison of the carrying amounts of the Bank's financial assets measured at other than fair value and their respective fair values at year-end:

Thousands of Reais	2012		2011		2010	
Assets	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Loans and receivables:						
Loans and amounts due from credit institutions (note 5)	29,913,132	29,906,104	19,628,861	19,535,160	22,658,520	22,658,520
Loans and advances to customers (note 9)	196,774,297	196,774,301	183,066,268	183,202,428	151,366,561	151,536,439
Debt instruments (note 6)	269,612	269,612	62,062	58,043	81,444	87,208
Total	**226,957,041**	**226,950,017**	**202,757,191**	**202,795,631**	**174,106,525**	**174,282,167**

ii) Financial liabilities measured at other than fair value

Following is a comparison of the carrying amounts of the Bank's financial liabilities measured at other than fair value and their respective fair values at year-end:

Thousands of Reais	2012		2011		2010	
Liabilities	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial liabilities at amortized cost:						
Deposits from credit institutions (note 16)	35,073,626	35,073,722	51,527,021	51,524,429	42,391,572	42,391,572
Customer deposits (note 17) (*)	188,594,930	188,626,476	174,473,891	174,496,664	167,949,201	167,953,896
Marketable debt securities (note 18)	54,012,018	54,857,848	38,590,423	38,564,263	20,086,645	20,054,667
Subordinated liabilities (note 19)	11,919,151	12,115,792	10,908,344	10,908,344	9,695,105	9,695,105
Other financial liabilities (note 20)	17,376,481	17,376,481	15,952,007	15,952,007	13,218,248	13,218,248
Total	**306,976,206**	**308,050,319**	**291,451,686**	**291,445,707**	**253,340,771**	**253,313,488**

(*) For these purposes, the fair value of customer demand deposits, which are included within customer deposits, are taken to be the same as their carrying amount.

The methods and assumptions to estimate the fair value are defined below:

- Short-term investments - The short-term investments includes the interbank deposits and the repurchase agreements. The carrying amount is approximated to the fair value.

- Loans operations – Fair value are estimated for groups of loans with similar characteristics. The fair value was measured by discounting estimated cash flow using the interest rate of new contracts.

- Deposits – The fair value of deposits was calculated by discounting the difference between the cash flows on a contractual basis and current market rates for instruments with similar maturities. For variable-rate deposits, the carrying amount was considered to approximates fair value.

- Long-term loans – The fair value of long-term loans were estimated by cash flow discounted at the interest rate offered on the market with similar terms and maturities.

g) Other Obligations

The Banco Santander rents properties, mainly used for branches, based on a standard contract which may be cancelled at its own criterion and includes the right to opt for renewals and adjustment clauses. The leases are classified as operating leases. Total future minimum payments of non-cancelable operating leases as of December 31, 2012 is R$2,373,881, of which R$606,154 up to 1 year, R$1,511,332 from 1 year to up to 5 years and R$256,395 after 5 years. Additionally, Banco Santander has contracts with no specified lease end-date with aggregate monthly rent of R$2,262. Payment of operating leases recognized as expenses were R$620,542 at the year.

Monthly rental contracts will be adjusted on an annual basis, as per prevailing legislation, at Índice Geral de Preços do Mercado (IGPM) variation. The lessee is entitled to unilaterally rescind the agreement, at any time, as contractual clauses and legislation.

h) Obligation offset and settlement agreements

Obligation offset and settlement agreements - Resolution CMN 3.263/2005 – The Bank has an obligation offset and settlement agreement within the ambit of national financial institutions (SFN), entered into with individuals and legal entities which may or may not be members of SFN, resulting in improved assurance of financial settlement, with the parties with which it has this type of agreement. These agreements establish that payment obligations with the Bank, arising from loans and derivative transactions, in case of default of the counterparty, will be offset against payment obligations of the Bank with the counterparty.

i) Contingent assets

On December 31, 2012, 2011 and 2010 no contingent assets were accounted.

j) Statements of value added

The following Statements of value added is not required under IFRS but being presented as supplementary information as required by Brazilian Corporate Law for publicly-held companies, and has been derived from the Bank´s consolidated financial statements prepared in accordance with IFRS.

Thousands of Reais	2012		2011		2010	
Interest and similar income	52,660,682		51,736,080		40,909,204	
Net fee and commission income	7,753,426		7,339,498		6,835,508	
Impairment losses on financial assets (net)	(16,475,615)		(9,381,549)		(8,233,810)	
Other income and expense	(2,459,152)		(3,130,081)		(255,603)	
Interest expense and similar charges	(20,968,812)		(23,834,316)		(16,814,126)	
Third-party input	(5,432,011)		(5,167,970)		(4,770,667)	
Materials, energy and others	(553,242)		(546,277)		(500,107)	
Third-party services	(4,431,119)		(4,150,735)		(3,882,909)	
Impairment of assets	(38,352)		(38,646)		(20,600)	
Other	(409,298)		(432,312)		(367,051)	
Gross added value	**15,078,518**		**17,561,662**		**17,670,506**	
Retention						
Depreciation and amortization	(1,831,100)		(1,462,034)		(1,237,410)	
Added value produced	**13,247,418**		**16,099,628**		**16,433,096**	
Added value received from transfer						
Investments in affiliates and subsidiaries	73,322		54,216		43,942	
Added value to distribute	**13,320,740**		**16,153,844**		**16,477,038**	
Added value distribution						
Employee	6,239,564	46.8%	5,834,152	36.1%	5,176,648	31.4%
Compensation	4,315,936		4,277,370		3,807,526	
Benefits	1,097,942		950,534		871,489	
Government severance indemnity funds for employees - FGTS	332,192		319,947		285,373	
Other	493,494		286,301		212,260	
Taxes	1,004,069	7.5%	2,022,895	12.5%	3,452,290	21.0%
Federal	949,740		1,971,487		3,406,285	
State	1,005		879		656	
Municipal	53,324		50,529		45,349	
Compensation of third-party capital - rental	617,829	4.6%	540,944	3.3%	465,526	2.8%
Remuneration of interest on capital	5,459,278	41.0%	7,755,853	48.0%	7,382,574	44.8%
Dividends and interest on capital	2,178,950		2,901,160		3,540,000	
Profit Reinvestment	3,269,710		4,846,765		3,842,093	
Profit (loss) attributable to non-controlling interests	10,618		7,928		481	
Total	**13,320,740**	**100.0%**	**16,153,844**	**100.0%**	**16,477,038**	**100.0%**

43. Operating segments

In accordance with IFRS 8, an operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c) For which discrete financial information are available.

Based on these guidelines the Bank has identified the following operating segments:

• Commercial Banking,

• Global Wholesale Banking,

• Asset Management and Insurance.

The Bank operates in Brazil and abroad, through the Cayman branch and its subsidiary in Spain, with Brazilian clients and therefore has no geographical segments.

The Commercial Banking segment encompasses the entire commercial banking business (except for the Corporate Banking business managed globally using the Global Relationship Model). The Asset Management and Insurance segment includes the contribution to the Bank arising from the design and management of the investment fund, pension and insurance businesses of the various units. The Global Wholesale Banking segment reflects the returns on the Global Corporate Banking business, those on Investment Banking and Markets worldwide, including all treasury departments and the equities business.

The income statements and other significant data are as follows:

Thousands of Reais	2012			
(Condensed) Income Statement	**Commercial Banking**	**Global Wholesale Banking**	**Asset Management and Insurance**	**Total**
NET INTEREST INCOME	**29,308,392**	**2,286,758**	**96,720**	**31,691,870**
Income from equity instruments	93,736	-	-	93,736
Income from companies accounted for by the equity method	73,322	-	-	73,322
Net fee and commission income	6,674,537	731,898	346,991	7,753,426
Gains (losses) on financial assets and liabilities (net) and Exchange differences (net) [1]	(654,220)	478,627	5,419	(170,174)
Other operating income (expense)	(636,655)	(23,833)	35,497	(624,991)
TOTAL INCOME	**34,859,112**	**3,473,450**	**484,627**	**38,817,189**
Personnel expenses	(6,519,030)	(537,365)	(70,391)	(7,126,786)
Other administrative expenses	(5,828,316)	(226,323)	(22,223)	(6,076,862)
Depreciation and amortization	(1,699,576)	(107,186)	(24,338)	(1,831,100)
Provisions (net)	(2,190,552)	5,537	(21,513)	(2,206,528)
Impairment losses on financial assets (net)	(16,404,484)	(71,131)	-	(16,475,615)
Impairment losses on non-financial assets (net)	(38,335)	-	(17)	(38,352)
Other non-financial gains (losses)	448,805	-	-	448,805
OPERATING PROFIT BEFORE TAX [1]	**2,627,624**	**2,536,982**	**346,145**	**5,510,751**
Other:				
Total assets	365,304,160	52,783,404	2,997,399	421,084,963
Loans and advances to customers	161,025,613	35,726,189	22,495	196,774,297
Customer deposits	168,315,452	18,720,305	1,559,173	188,594,930

(1) Includes in the Commercial Bank, the economic hedge of investment in dollar (a strategy to mitigate the effects of fiscal and exchange rate variation of offshore investments on net income), the result of which is recorded in "Gains (losses) on financial assets and liabilities" fully offset in taxes line. Adjusted for losses amounting to R$ 1,437,250 due to the effects of the devaluation of the Real against the Dollar in 2012, the Profit before Tax for the Commercial Bank segment was R$ 4,064,874.

Thousands of Reais	2011			
(Condensed) Income Statement	**Commercial Banking**	**Global Wholesale Banking**	**Asset Management and Insurance**	**Total**
NET INTEREST INCOME	**24,971,366**	**2,589,070**	**341,328**	**27,901,764**
Income from equity instruments	93,727	-	-	93,727
Income from companies accounted for by the equity method	54,216	-	-	54,216
Net fee and commission income	6,191,891	796,350	351,257	7,339,498
Gains (losses) on financial assets and liabilities (net) and Exchange differences (net)	(753,198)	513,041	5,134	(235,023)
Other operating income (expense)	(695,387)	(29,304)	345,273	(379,418)
TOTAL INCOME	**29,862,615**	**3,869,157**	**1,042,992**	**34,774,764**
Personnel expenses	(6,031,433)	(525,525)	(86,773)	(6,643,731)
Other administrative expenses	(5,431,219)	(242,032)	(55,650)	(5,728,901)
Depreciation and amortization	(1,331,287)	(105,780)	(24,967)	(1,462,034)
Provisions (net)	(3,024,150)	2,866	(40,179)	(3,061,463)
Impairment losses on financial assets (net)	(9,334,483)	(47,066)	-	(9,381,549)
Impairment losses on non-financial assets (net)	(33,743)	(4,707)	(196)	(38,646)
Other non-financial gains (losses)	452,096	-	-	452,096
OPERATING PROFIT BEFORE TAX [1]	**5,128,396**	**2,946,913**	**835,227**	**8,910,536**
Other:				
Total assets	345,579,236	51,045,367	3,261,479	399,886,082
Loans and advances to customers	148,372,380	34,653,359	40,529	183,066,268
Customer deposits	150,404,639	22,471,578	1,597,674	174,473,891

(1) Includes in the Commercial Bank, the economic hedge of investment in dollar (a strategy to mitigate the effects of fiscal and exchange rate changes on investments offshore over the net income), which result is recorded in "Gains/losses on financial assets and liabilities (net)" fully offset the tax line. The effects of the devaluation of the Real against the Dollar in 2011 generated losses of R$1,646,212.

Thousands of Reais	2010			
(Condensed) Income Statement	Commercial Banking	Global Wholesale Banking	Asset Management and Insurance	Total
NET INTEREST INCOME	**21,301,329**	**2,501,318**	**292,431**	**24,095,078**
Income from equity instruments	51,721	-	-	51,721
Income from companies accounted for by the equity method	43,942	-	-	43,942
Net fee and commission income	5,529,572	891,897	414,039	6,835,508
Gains (losses) on financial assets and liabilities (net) and Exchange differences (net) (1)	1,550,319	244,408	80,323	1,875,050
Other operating income (expense)	(596,271)	(29,992)	278,264	(347,999)
TOTAL INCOME	**27,880,612**	**3,607,631**	**1,065,057**	**32,553,300**
Personnel expenses	(5,354,100)	(512,097)	(59,979)	(5,926,176)
Other administrative expenses	(5,003,189)	(215,499)	(85,738)	(5,304,426)
Depreciation and amortization	(1,129,919)	(57,718)	(49,773)	(1,237,410)
Provisions (net)	(1,940,727)	4,039	(37,638)	(1,974,326)
Impairment losses on financial assets (net)	(8,225,451)	(8,359)	-	(8,233,810)
Impairment losses on non-financial assets (net)	(20,601)	-	1	(20,600)
Other non-financial gains (losses)	139,951	-	-	139,951
OPERATING PROFIT BEFORE TAX (1)	**6,346,576**	**2,817,997**	**831,930**	**9,996,503**
Other:				
Total assets	308,973,195	40,139,949	25,549,539	374,662,683
Loans and advances to customers	121,175,888	30,149,793	40,880	151,366,561
Customer deposits	144,385,872	22,180,522	1,382,807	167,949,201

(1)Were recorded gains of R$272,131.

44. Related party transactions

The parties related to the Bank are deemed to include, in addition to its subsidiaries, associates and jointly controlled entities, the Bank's key management personnel and the entities over which the key management personnel may exercise significant influence or control.

Following is a detail of the business transactions performed by the Bank with its related parties on December 31, 2012, 2011 and 2010:

a) Key-person management compensation

At the Board of Directors' meeting held on March 23, 2012, was approved in accordance with the Compensation and Appointment Committee the global compensation proposal of directors (Board of Directors and Executive Officers) for the year 2012, amounting to R$300,000, covering fixed remuneration, variable and equity-based and other benefits. The proposal were subject to determination by the extraordinary stockholders' meeting held on April 25, 2012.

i) Long-term benefits

The Santander Brazil as well as Santander Spain, as other subsidiaries of Santander Group, have long-term compensation programs tied to their share's performance, based on the achievement of goals.

ii) Short-term benefits

The following table shows the Board of Directors' and Executive Board's:

Thousands of Reais	2012	2011	2010
Fixed compensation	**46,827**	46,501	42,406
Variable compensation (1)	114,866	162,154	133,649
Other	12,469	11,709	8,490
Total Short-term benefits	**174,162**	**220,364**	**184,545**
Share-based payment (2)	34,431	18,067	29,083
Total Long-term benefits	**34,431**	**18,067**	**29,083**
Total (3)	**208,593**	**238,431**	**213,628**

(1) In 2011, includes the share incurred with the changes in administrative structure and governance in the completion of the Bank's integration process.
(2) In October 25, 2011, the Bank launched a new plan based compensation for executives (note 13 c) in accordance with the Resolution of the CMN 3.921 of november 25, 2010.
(3) Refers to the amount paid by Banco Santander to its executives officers for the positions which they hold in the Bank and other companies of the conglomerate. On the period of twelve months ended on december 31, 2012, was paid for managers of Santander Asset the amount of R$6,292 and in 2011 and 2010, were paid to managers of Zurich Santander Brasil Seguros e Previdência S.A. and Santander Asset R$8,312 and R$6,667, respectively.

Additionally, on 2012, charges were collected on key-person management compensation in the amount of R$46.001 (2011 - R$22,205 and 2010 - R$22,945).

iii) Contract termination

The termination of the employment relationship of managers for non-fulfillment of obligations or voluntarily does not entitle to any financial compensation.

b) Lending operations

Under current law, it is not granted loans or advances involving:

I - officers, members of board of directors and audit committee as well as their spouses and relatives up to the 2nd degree;
II - individuals or legal entities of Banco Santander, which hold more than 10% of the share capital;
III - Legal entities which hold more than 10% of the share capital, Banco Santander and its subsidiaries;
IV - legal entities which hold more than 10% of the share capital, any of the directors or members of the Board of Directors and Audit Committee or management's own financial institution, as well as their spouses or relatives up to the second degree.

c) Ownership Interest

The table below shows the direct interest (common shares and preferred shares) as of December 31, 2012, 2011 and 2010:

	2012					
Stockholders'	**Common Shares (thousands)**	**Common Shares (%)**	**Preferred Shares (thousands)**	**Preferred Shares (%)**	**Total Shares (thousands)**	**Total Shares (%)**
Grupo Empresarial Santander, S.L. (1)	61,606,700	29.0%	51,386,053	27.7%	112,992,753	28.4%
Sterrebeeck B.V. (1)	99,527,083	46.9%	86,492,330	46.6%	186,019,413	46.7%
Banco Santander, S.A. (1)	-	0.0%	-	0.0%	-	0.0%
Santander Insurance Holding (1)	206,664	0.1%	-	0.0%	206,664	0.1%
Employees	173,703	0.1%	159,213	0.1%	332,916	0.1%
Members of the Board of Directors	(*)	(*)	(*)	(*)	(*)	(*)
Members of the Executive Board	(*)	(*)	(*)	(*)	(*)	(*)
Other	50,758,700	23.9%	47,647,623	25.6%	98,406,323	24.7%
Total	**212,272,850**	**100.0%**	**185,685,219**	**100.0%**	**397,958,069**	**100.0%**

	2011					
Stockholders'	**Common Shares (thousands)**	**Common Shares (%)**	**Preferred Shares (thousands)**	**Preferred Shares (%)**	**Total Shares (thousands)**	**Total Shares (%)**
Grupo Empresarial Santander, S.L. (1)	72,876,994	34.3%	61,631,776	33.2%	134,508,770	33.8%
Sterrebeeck B.V. (1)	99,527,083	46.8%	86,492,330	46.5%	186,019,413	46.6%
Banco Santander, S.A. (1)	2,090,231	1.0%	1,900,210	1.0%	3,990,441	1.0%
Santander Insurance Holding (1)	206,664	0.1%	-	0.0%	206,664	0.1%
Employees	211,427	0.1%	193,458	0.1%	404,885	0.1%
Members of the Board of Directors	(*)	(*)	(*)	(*)	(*)	(*)
Members of the Executive Board	(*)	(*)	(*)	(*)	(*)	(*)
Other	37,538,079	17.7%	35,628,926	19.2%	73,167,005	18.4%
Total	**212,450,478**	**100.0%**	**185,846,700**	**100.0%**	**398,297,178**	**100.0%**

	2010					
Stockholders'	**Common Shares (thousands)**	**Common Shares (%)**	**Preferred Shares (thousands)**	**Preferred Shares (%)**	**Total Shares (thousands)**	**Total Shares (%)**
Grupo Empresarial Santander, S.L. (1)	74,967,225	35.3%	63,531,986	34.2%	138,499,211	34.8%
Sterrebeeck B.V. (1)	99,527,083	46.8%	86,492,330	46.5%	186,019,413	46.6%
Santander Insurance Holding (1) (2)	206,663	0.1%	-	0.0%	206,663	0.1%
Employees	240,934	0.1%	220,512	0.1%	461,446	0.1%
Members of the Board of Directors	(*)	(*)	(*)	(*)	(*)	(*)
Members of the Executive Board	(*)	(*)	(*)	(*)	(*)	(*)
Other	37,899,827	17.7%	35,957,557	19.2%	73,857,384	18.4%
Total	**212,841,732**	**100.0%**	**186,202,385**	**100.0%**	**399,044,117**	**100.0%**

(1) Companies of the Santander Spain Group.
(2) In August 2010, held the filing on Form F-1, on Brazilian Securities Commission (CVM) and SEC, which reported on the intention of sale of equity interest held by Santander Insurance Holding, S.L. in the form of ADR in the american market. Thus were converted 4,538,420,040 common shares and 4,125,836,400 preferred shares owned to compose 82,516,728 Units / ADR (equivalent to interest in Banco Santander of 2.17%). Between August to December 2010, the equity interest held by SIH, in the form of ADRs was totally alienated, being 77,627,222 in the third quarter and 4,889,506 in the fourth quarter.
(*) None of the members of the Board of Directors and the Executive Board holds 1.0% or more of any class of shares.

c.1) Strategic Partner of Santander Conglomerate in Brazil and Latin America

On October 28, 2010 Santander Spain and Qatar Holding Luxembourg S.à rl II (QHL) signed a contract in terms of the Acquisition of convertible bonds, regarding the subscription and payment by QHL the amount of US$2,718.8 million in bonds issued by Banco Santander Spain. These securities are mandatorily exchangeable for shares of Banco Santander and amount to 5.00024% of its capital. These shares are paid an interest rate of 6.75% p.a. in dollars and mature by October 29, 2013.

This investment reflects the inclusion of QHL as a strategic partner of Group Santander Spain in Brazil and in the remaining of Latin America. This operation allows Banco Santander to advance in its commitment of 25% of capital free float . On December 31, 2012, except for convertible bonds, the QHL does not own, directly or indirectly, any shares, warrants, subscription rights or options over the share capital of Banco Santander.

c.2) Bank Santander Spain's ADRs Sales and Free Float Increase

On March 22, 2012 Santander Spain informed to Banco Santander that, in fulfillment of Exchange Comission (CVM) Instruction 358/2002, and in accordance to the commitment of reaching the free-float of 25% of the capital stock of Banco Santander, it reduced its interest in the capital stock of Banco Santander in 5.76%, which resulted in the increase of the free-float of the Company to 24.12% at the moment. Such reduction of 5.76% (5.66% of common shares and 5.88% of preferred shares) was results from the following transactions: (i) the transfer of 4.41% of Banco Santander's capital stock carried out in January 2012, (ii) the sale of 0.58% of the capital stock of Banco Santander carried out until March 22, 2012, and (iii) the transfer of 0.77% of Banco Santander´s capital stock carried out on March 22, 2012 to a third party, which shall deliver such interest to the investors of the exchangeable bonds issued by Santander Spain in October, 2010, on maturity and as provided in such bonds.

c.3) Extension of time to reach the minimum percentage of outstanding shares (free float) of 25%

On October 9, 2012, Banco Santander announced for the market, that the BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros (BM&F Bovespa) granted the petition of Banco Santander and its controlling shareholders for extension of time to meet the minimum 25% free float requirement until October 7, 2013, which may be extended for an additional year under certain conditions.

As reported by the controlling shareholder, aims to achieve the difference between the current minimum percentage and percentage of outstanding shares, through the realization of sale or delivery of shares issued through private negotiations with certain qualified investors in the Brazilian market or abroad market (including in the form of American Depositary Receipts - "ADRs") and / or issuing new shares.

d) Related-Party Transactions

Transactions among the entities of Banco Santander are carried out under usual market value, rates and terms, and under commutative condition.

Banco Santander has the Policy on Related Party Transactions approved by the Board of Directors, which aim to ensure that all transactions are made on the policy typified in view the interests of Banco Santander and its shareholders. The policy defines powers to approve certain transactions by the Board of Directors. The rules laid down are also applied to all employees and directors of Banco Santander and its subsidiaries.

The operations and remuneration of services with related parties are made in the ordinary course of business and under reciprocal conditions, including interest rates, terms and guarantees, and involve no greater risk than the normal billing or have other disadvantages.

The principal transactions and balances are as follows:

Thousands of Reais	2012			2011		
	Parent [1]	Joint-controlled companies	Other Related-Party [2]	Parent [1]	Joint-controlled companies	Other Related-Party [2]
Assets	**9,547,642**	**1,087,901**	**(163,065)**	**303,062**	**823,543**	**209,040**
Trading derivatives, net	**(135,291)**	**-**	**(742,972)**	**(25,639)**	**-**	**(442,496)**
Banco Santander, S.A. – Spain	(135,291)	-	-	(25,639)	-	-
Santander Benelux, S.A., N.V.	-	-	(399,110)	-	-	(308,821)
Abbey National Treasury Services Plc	-	-	(68,552)	-	-	(39,102)
Real Fundo de Investimento Multimercado Santillana Credito Priv	-	-	(275,310)	-	-	(94,573)
Loans and amounts due from credit institutionso - Cash and overnight operations in foreign currency	**9,528,869**	**-**	**1,190**	**227,724**	**-**	**1,097**
Banco Santander, S.A. – Spain [3] [6]	9,528,869	-	-	227,724	-	-
Banco Santander Totta, S.A.	-	-	1,139	-	-	1,097
Banco Santander, S.A. – México	-	-	51	-	-	-
Loans and amounts due from credit institutions - Others	**7,284**	**1,087,129**	**210,330**	**95,539**	**822,928**	**266,568**
Banco Santander, S.A. – Spain	7,284	-	-	95,539	-	-
Santander Benelux, S.A., N.V.	-	-	-	-	-	262,818
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	1,086,756	-	-	822,606	-
Companhia de Arrendamento Mercantil RCI Brasil	-	373	-	-	322	-
Abbey National Treasury Services Plc	-	-	-	-	-	1,369
Santander Overseas Bank, Inc – Puerto Rico	-	-	-	-	-	2,381
Zurich Santander Brasil Seguros S.A.	-	-	75,445	-	-	-
Zurich Santander Brasil Seguros e Previdência S.A.	-	-	134,885	-	-	-
Other Assets	**146,780**	**772**	**368,387**	**5,438**	**615**	**383,871**
Banco Santander, S.A. – Spain	146,780	-	-	5,438	-	-
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	772	-	-	615	-
Zurich Santander Brasil Seguros e Previdência S.A.	-	-	17,068	-	-	-
Santander Benelux, S.A., N.V.	-	-	317,233	-	-	326,637
Abbey National Treasury Services Plc	-	-	34,024	-	-	-
Others	-	-	62	-	-	57,234

	2012			2011		
	Parent (1)	Joint-controlled companies	Other Related-Party [2]	Parent (1)	Joint-controlled companies	Other Related-Party [2]
Liabilities	**(939,913)**	**(16,280)**	**(446,577)**	**(2,112,183)**	**(15,213)**	**(689,715)**
Deposits from credit institutions	**(170,845)**	**(16,280)**	**(34,825)**	**(1,200,207)**	**(15,213)**	**(171,371)**
Banco Santander, S.A. – Spain [4]	(170,845)	-	-	(1,200,207)	-	-
Grupo Banesto: Sociedades consolidables	-	-	-	-	-	(167,081)
Companhia de Crédito, Financiamento e Investimento RCI	-	(12,762)	-	-	(10,348)	-
Zurich Santander Brasil Seguros e Previdência S.A.	-	-	(29,190)	-	-	-
Companhia de Arrendamento Mercantil RCI Brasil	-	(3,518)	-	-	(4,865)	-
Others	-	-	(5,635)	-	-	(4,290)
Customer deposits	**-**	**-**	**(385,659)**	**-**	**-**	**(428,750)**
ISBAN Brasil S.A.	-	-	(98,324)	-	-	(110,341)
Produban Serviços de Informática S.A.	-	-	(42,489)	-	-	(47,970)
Universia Brasil S.A.	-	-	(80)	-	-	(310)
Real Fundo de Investimento Multimercado Santillana Credito Priv	-	-	(239,067)	-	-	(223,367)
Zurich Santander Brasil Seguros e Previdência S.A.	-	-	-	-	-	(31,062)
Others	-	-	(5,699)	-	-	(15,700)
Other Liabilities - Dividends and Bonuses Payable	**(765,524)**	**-**	**(562)**	**(908,004)**	**-**	**(3,615)**
Banco Santander, S.A. – Spain	-	-	-	(7,772)	-	-
Grupo Empresarial Santander, S.L. [1]	(236,246)	-	-	(379,617)	-	-
Santander Insurance Holding, S.L.	-	-	(562)	-	-	(553)
Sterrebeeck B.V. [1]	(529,278)	-	-	(520,615)	-	-
Banco Madesant - Sociedade Unipessoal, S.A. (Zona Franca da	-	-	-	-	-	(3,062)
Other Payables	**(3,544)**	**-**	**(25,007)**	**(3,972)**	**-**	**(85,979)**
Banco Santander, S.A. – Spain	(3,544)	-	-	(3,972)	-	-
Santander Insurance Holding, S.L.	-	-	-	-	-	(9,257)
Zurich Santander Brasil Seguros e Previdência S.A.	-	-	(24,079)	-	-	(74,772)
Others	-	-	(928)	-	-	(1,950)

Thousands of Reais	2010		
	Parent [1]	Joint-controlled companies	Other Related-Party [2]
Assets	**4,324,857**	**270,462**	**155,117**
Trading derivatives, net	**35,513**	**-**	**(125,147)**
Banco Santander, S.A. – Spain	35,513	-	-
Santander Benelux, S.A., N.V.	-	-	(118,521)
Abbey National Treasury Services Plc	-	-	(33,076)
Others	-	-	26,450
Loans and amounts due from credit institutionso - Cash and overnight operations in foreign currency	**4,245,332**	**-**	**729**
Banco Santander, S.A. – Spain [3] [6]	4,245,332	-	-
Banco Santander Totta, S.A.	-	-	729
Loans and amounts due from credit institutions - Others	**16,922**	**269,667**	**279,535**
Banco Santander – Spain	16,922	-	-
Santander Benelux, S.A., N.V.	-	-	258,261
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	263,559	-
Companhia de Arrendamento Mercantil RCI Brasil	-	6,108	-
Abbey National Treasury Services Plc	-	-	18,817
Santander Overseas Bank, Inc – Puerto Rico	-	-	2,457
Other Assets	**27,090**	**795**	**-**
Banco Santander, S.A. – Spain	27,090	-	-
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	529	-
Companhia de Arrendamento Mercantil RCI Brasil	-	266	-
Liabilities	**(3,877,652)**	**(76,340)**	**(2,376,188)**
Deposits from credit institutions	**(2,167,452)**	**(76,340)**	**(1,940,158)**
Banco Santander, S.A. – Spain [4]	(2,167,452)	-	-
Grupo Banesto: Sociedades consolidables	-	-	(75,477)
Banco Madesant - Sociedade Unipessoal, S.A. [5]	-	-	(1,857,963)
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	(73,270)	-
Companhia de Arrendamento Mercantil RCI Brasil	-	(3,070)	-
Others	-	-	(6,718)
Customer deposits	**-**	**-**	**(382,407)**
ISBAN Brasil S.A.	-	-	(129,500)
Produban Serviços de Informática S.A.	-	-	(43,439)
Universia Brasil S.A.	-	-	(3,218)
Real Fundo de Investimento Multimercado Santillana Credito	-	-	(198,236)
Others	-	-	(8,014)
Other Liabilities - Dividends and Bonuses Payable	**(1,703,847)**	**-**	**(1,037)**
Grupo Empresarial Santander, S.L. [1]	(726,925)	-	-
Santander Insurance Holding, S.L.	-	-	(1,037)
Sterrebeeck B.V. [1]	(976,922)	-	-
Other Payables	**(6,353)**	**-**	**(52,586)**
Banco Santander, S.A. – Spain	(6,353)	-	-
Santander Insurance Holding, S.L.	-	-	(52,358)
Others	-	-	(228)

(*) All loans and amounts to related parties were made in our ordinary course of business and on sustainable basis, including interest rates and collateral and did not involve more than the normal risk of collectability or present other unfavorable features.
(1) Banco Santander (Brasil) S.A. is indirectly controlled by Banco Santander Spain (note 1-a), through its subsidiary Grupo Empresarial Santander, S.L. and Sterrebeeck B.V.
(2) Refers to the Company's subsidiaries (Banco Santander Spain).
(3) In December 28, 2012, refers to the cash of R$83,027 (December 31, 2011 – R$227,724 and 2010 - R$315,203) and "overnight" investments amounting R$9,445,842, maturing on January, 2nd, 2013 and interest of 0.17% p.a. and 0.10% p.a. (2010 - R$3,930,129 maturing on January, 3rd, 2011 and interest of 0.22%p.a.).
(4) As at December 28, 2012, refers to raising funds through operations transfers abroad amounting R$156,063 with maturity until January, 2015 and interest between 0.39% and 5.82%p.a. (December 31, 2011 - R$1,200,207, with interest between 0.39% and 5.82% p.a. and December 31, 2010 – R$2,167,452, with interest between 0.25%p.a e 7.89%p.a) and raising funds through time deposits, in the amount of R$9,895, maturing on December, 27, 2012 and interest of 3.63% p.a. and foreign demand deposits, in the amount of R$4,887.

(5) In 2010, refers to raising funds through time deposits with maturity on February 28, 2011 and interest of R$1.76% p.a.
(6) On December 28, 2012, refers to investments in foreign currency (applications overnight): applications of Bank's Grand Cayman Branch, near the branch of Banco Santander Spain (New York) maturing on January 2, 2013 and interest 0.17% p.a. and applications of subsidiary Santander Brasil EFC with Banco Santander Spain maturing on January 2, 2013 and interest of 0.10% p.a.

Thousands of Reais	2012			2011		
	Parent [1]	Joint-controlled companies	Other Related-Party [2]	Parent [1]	Joint-controlled companies	Other Related-Party [2]
Income	**(90,347)**	**74,851**	**(742,313)**	**(272,122)**	**69,935**	**(414,964)**
Interest and similar income - Loans and amounts due from credit institutions	**12,177**	**59,546**	**-**	**5,046**	**50,771**	**267**
Banco Santander, S.A. – Spain	12,177	-	-	5,046	-	-
Abbey National Treasury Services Plc	-	-	-	-	-	14
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	59,546	-	-	50,771	-
Santander Benelux, S.A., N.V.	-	-	-	-	-	253
Interest expense and similar charges - Customer deposits	**(33,562)**	**-**	**(16,659)**	**-**	**-**	**(38,667)**
Banco Santander, S.A. – Spain	(33,562)	-	-	-	-	-
ISBAN Brasil S.A.	-	-	(5,697)	-	-	(10,551)
Produban Serviços de Informática S.A.	-	-	(3,000)	-	-	(3,841)
Real Fundo de Investimento Multimercado Santillana Credito Priv	-	-	(6,927)	-	-	(21,777)
Others	-	-	(1,035)	-	-	(2,498)
Interest expense and similar charges - Deposits from credit institutions	**(4,954)**	**(297)**	**-**	**(15,311)**	**(620)**	**(5,044)**
Banco Santander, S.A. – Spain	(4,954)	-	-	(15,311)	-	-
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	(297)	-	-	(620)	-
Banco Madesant - Sociedade Unipessoal, S.A.	-	-	-	-	-	(5,013)
Others	-	-	-	-	-	(31)
Expense and similar charges - Marketable debt securities	**(1,773)**	**-**	**-**	**(1,789)**	**-**	**-**
Banco Santander, S.A. – Spain	(1,773)	-	-	(1,789)	-	-
Fee and commission income (expense)	**19,620**	**15,602**	**127,215**	**(14,820)**	**13,262**	**56,224**
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	11,016	-	-	10,118	-
Banco Santander, S.A. – Spain	19,620	-	-	(14,820)	-	-
Aviación Centaurus, A.I.E.	-	-	-	-	-	11,928
Zurich Santander Brasil Seguros e Previdência S.A.	-	-	99,665	-	-	35,785
Others	-	4,586	27,550	-	3,144	8,511
Gains (losses) on financial assets and liabilities (net) and exchange differences (net)	**(81,598)**	**-**	**(406,780)**	**(245,096)**	**6,522**	**(505,726)**
Banco Santander, S.A. – Spain	(81,598)	-	-	(245,096)	-	-
Santander Benelux, S.A., N.V.	-	-	82,027	-	-	(38,238)
Santander Overseas Bank, Inc – Puerto Rico	-	-	-	-	-	160
Real Fundo de Investimento Multimercado Santillana Credito Priv	-	-	(472,744)	-	-	(342,975)
Abbey National Treasury Services Plc	-	-	(40,666)	-	-	(91,726)
Santander Insurance Holding, S.L.	-	-	-	-	-	(11,714)
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	-	-	-	6,522	-
Others	-	-	24,603	-	-	(21,233)
Administrative expenses and Amortization	**(257)**	**-**	**(446,089)**	**(152)**	**-**	**(278,679)**
ISBAN Brasil S.A.	-	-	(90,283)	-	-	(54,104)
Produban Serviços de Informática S.A.	-	-	(139,516)	-	-	(103,991)
ISBAN Chile S.A.	-	-	(3,799)	-	-	(4,814)
Aquanima Brasil Ltda.	-	-	-	-	-	(21,500)
Ingeniería de Software Bancario, S.L.	-	-	(41,442)	-	-	(32,209)
Produban Servicios Informaticos Generales, S.L.	-	-	(24,707)	-	-	(23,629)
TECBAN - Tecnologia Bancaria Brasil	-	-	(99,739)	-	-	-
Zurich Santander Brasil Seguros e Previdência S.A.	-	-	(21,310)	-	-	(89)
Zurich Santander Insurance America, S.L.	-	-	(915)	-	-	(12,151)
Others	(257)	-	(24,378)	(152)	-	(26,192)
Gains (losses) on non-current assets held for sale not classified as discontinued operations	**-**	**-**	**-**	**-**	**-**	**424,292**
Zurich Santander Insurance America, S.L.	-	-	-	-	-	424,292

Thousands of Reais	2010		
	Parent [1]	Joint-controlled companies	Other Related-Party [2]
Income			
Interest and similar income - Loans and amounts due from credit institutions	**2,384**	**39,395**	**1,029**
Banco Santander, S.A. – Spain	2,384	-	-
Abbey National Treasury Services Plc	-	-	1,029
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	38,545	-
Companhia de Arrendamento Mercantil RCI Brasil	-	850	-
Interest expense and similar charges - Customer deposits	**-**	**-**	**(29,277)**
ISBAN Brasil S.A.	-	-	(9,359)
Produban Serviços de Informática S.A.	-	-	(2,736)
Real Fundo de Investimento Multimercado Santillana Credito Privado	-	-	(16,166)
Others	-	-	(1,016)
Interest expense and similar charges - Deposits from credit institutions	**(47,134)**	**(526)**	**(32,676)**
Banco Santander, S.A. – Spain	(47,134)	-	-
Abbey National Beta Investments Limited	-	-	(7,415)
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	(526)	-
Banco Madesant - Sociedade Unipessoal, S.A.	-	-	(25,143)
Others	-	-	(118)
Fee and commission income (expense)	**73,975**	**6,770**	**9,449**
Companhia de Crédito, Financiamento e Investimento RCI Brasil	-	6,327	-
Banco Santander, S.A. – Spain	73,975	-	-
Aviación Centaurus, A.I.E.	-	-	9,449
Zurich Santander Brasil Seguros e Previdência S.A.	-	-	-
Others	-	443	-
Gains (losses) on financial assets and liabilities (net)	**(44,953)**	**-**	**(42,090)**
Banco Santander, S.A. – Spain	(44,953)	-	-
Santander Benelux, S.A., N.V.	-	-	32,489
Santander Overseas Bank, Inc – Puerto Rico	-	-	188
Real Fundo de Investimento Multimercado Santillana Credito Privado	-	-	(86,572)
Abbey National Treasury Services Plc	-	-	14,763
Others	-	-	(2,958)
Administrative expenses and Amortization	**-**	**-**	**(337,190)**
ISBAN Brasil S.A.	-	-	(50,320)
Produban Serviços de Informática S.A.	-	-	(108,741)
ISBAN Chile S.A.	-	-	(5,491)
Aquanima Brasil Ltda.	-	-	(21,256)
Ingeniería de Software Bancario, S.L.	-	-	(19,722)
Produban Servicios Informaticos Generales, S.L.	-	-	(15,868)
TECBAN - Tecnologia Bancaria Brasil	-	-	(89,629)
Others	-	-	(26,163)

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(2) Refers to the Company's subsidiaries (Banco Santander, S.A .- Spain).

45. Risk management

Risk management at the Santander Brazil follow that same principles that are set at the Group level:

• Independence of the risk function with respect to the business. The head of the Bank's Risk Division, reports directly to the executive committee and the board. The local risk unit keeps its independence with a direct report to the Corporate Risk Unit.

• Commitment to supporting the business by contributing, without undermining the preceding principle, to the achievement of commercial objectives whilst safeguarding risk quality. To this end, the risk organizational structure is adapted to the commercial structure so as to encourage cooperation between business and risk managers.

• Collective decisions (even at branch level), which ensure that different opinions are taken into account and avoid decisions are taken individually.

• Well-established tradition of using internal rating and statistical tools to predict delinquency , internal rating, credit scoring and scoring behavior, return on risk-adjusted capital (RORAC), value-at-risk (VaR), economic capital, extreme scenario analyses, etc.

• Global approach, achieved by addressing on an integrated basis all the risk factors in all the business units and geographical locations, and using the concept of economic capital as a consistent measure of the risk assumed and as the basis for assessing the management performed.

• Maintenance of a medium-low risk profile, and low volatility and its predictability, by:

- seeking to achieve a high degree of risk diversification, thus limiting risk concentration on particular customers, groups, sectors, products or geographical locations;

- maintaining a low level of complexity in market operations;

- paying ongoing attention to risk monitoring in order to prevent potential portfolio impairment sufficiently in advance.

At Bank, the risk management and control process has been structured using as reference the framework defined at corporate level and described according to the following phases:

• Adaptation of corporate management frameworks and policies that reflect Group Santander's risk management principles.

Within this regulatory framework, the Corporate Risk Management Framework, approved by Senior Management (Risks), regulates the principles and standards governing the Santander Brazil´s risk activities, based on the corporate organizational and a management models.

The organizational model comprises the management map, the risk function and governance, and the regulatory framework itself. The management model contains the basic pillars for risk management, the channels for the planning and setting of targets, the budgeting and risk limit setting process, the control of operations, the framework for risk reporting to senior management and the technological reference model for risk management.

• Identification of risks, through the constant review and monitoring of exposures, the assessment of new products and businesses and the specific analysis of singular transactions;

• Measurement of risks using periodically tested methods and models;

• Preparation and distribution of a complete set of reports that are reviewed daily by the heads at all levels of Santander management.

Implementation of a risk control system which checks, on a daily basis, the degree to which Bank´s risk profile matches the risk policies approved and the risk limits set. The most noteworthy corporate tools and techniques (abovementioned) already in use in Santander Bank are in different stages of maturity regarding the level of implementation and use in Bank. For wholesale segment, these techniques are quite in line with the corporate level development. For local segments, internal ratings and scorings based models, VaR and market risk scenario analysis and stress testing have been already embedded in risk management routine while Expected loss, Economic Capital and RORAC have been integrated in risk management.

• Internal ratings- and scorings-based models which, by assessing the various qualitative and quantitative risk components by customer and transaction, make it possible to estimate, firstly, the probability of default and, subsequently, the expected loss, based on Loss Given Default (LGD) estimates.

• Economic capital, as a homogeneous measure of the risk assumed and a basis for the measurement of the management performance.

• RORAC, which is used both as a transaction pricing tool in the whole sale segment, more precisely in global ranking and markets(bottom-up approach) and in the analysis of portfolios and units (top-down approach).

• VaR, which is used for controlling and setting the market risk limits for the various treasury portfolios.

• Scenario analysis and stress testing to supplement market and credit risk analyses in order to assess the impact of alternative scenarios, even on provisions and capital.

The Bank intends to use the internal models for the calculation of regulatory capital (regulatory) and for this has agreed a timetable with the local supervisor. The Bank has defined a Basel 2 governance structure and has assigned for this purpose, the necessary human and technology resources to meet the stringent requirements established by the regulators.

a) Corporate Governance of the Risk Function

The risk committee framework of Santander Brazil is set based on corporate risk standards and are structured by type of business and risk segment.

Brazil Executive Risk Committee (Comitê Executivo de Riscos Brasil) has their level of approvals delegated by the Risk Committee of Banco Santander in Spain and has the following responsibilities:

- Integrate and adapt the risk functions in Santander, the strategy, the arrangements for the risk tolerance level, accordingly to existing corporate standards.

- Approve proposals and operations and limits customers and portfolios.

- Set references on general themes related to Market Risk, Country Risk, wholesale segment customers (including a global relationship) and retail themes (Credit Management Programs).

- Keep informed, evaluate and follow any comments and recommendations that may be made periodically by supervisors in discharging its functions;

- Ensure that the performance of Santander is consistent with the level of risk tolerance, previously approved by the Executive Committee and Board Director, and aligned with the policies of the Santander Group;

- Authorize the use of management tools and models of local risks and know the result of its internal validity.

The risk function at Bank is performed through an Executive Risk Unit, which is independent from the business areas from both a hierarchical and a functional standpoint, and reports directly to the President of Santander and the Director of Corporate Risk Group Santander.

More details of the structure, methodology and control system related to risk management is described in the report, available on the site www.santander.com.br.

b) Credit Risk

b.1) Introduction to the treatment of credit risk

The Bank develops Credit Risk Management policies and strategies with the support of several business departments, which are responsible for guaranteeing the appropriate validation of the systems and internal procedures applied in the credit risk management. These systems and procedures are applied to the identification, measurement, control, and mitigation of exposure to credit risk, by individual transaction or aggregate of similar transactions.

Credit risk is the exposure to loss in the event of default of total or partial of customers or counterparties to meet their financial obligations to the Bank. Credit risk management seeks to provide subsidies in defining strategies, beyond the set limits, encompassing analysis of exposures and trends, as well as the effectiveness of credit policy.

The specialization of the Bank's risk function is based on the type of customer and, accordingly, a distinction is made between individualized customers and standardized customers in the risk management process:

• Customers with individual management: Customers with individual management: the wholesale segment customers, financial institutions and certain companies. Risk management is implemented through a risk analyst set. The client is linked to risk analyst who prepares the analysis, the Committee directs and monitors the progress of the client.

• Customers with standardized management: individuals and companies not classified as individual clients. The management of this risk models based on automated decision-making and risk assessment of local risks, complemented by commercial competencies and teams of analysts to handle exceptions.

Collection of documentation and information necessary for a comprehensive analysis of the risk involved, the identification of the decision-maker, the counterparty, the risk involved in the transactions, the classification of the risk level into different categories, credit granting, periodic assessments of risk levels; these procedures are applied by the Bank to determine the volumes of guarantees and allowances necessary so that lending transactions are conducted according to existing standards and with the necessary security. Policies, systems and procedures used are reassessed annually to ensure they are consistent with the risk management requirements and current market scenarios.

The profile of credit risk assumed by the Bank is characterized by a diversity of clients and the large volume of retail operations. Aspects Macroeconomic and market conditions, as well as sector and geographical concentration, customer profiling, economic prospects are also evaluated and considered in the appropriate measuring of credit risk.

b.2) Measures and measurement tools

Rating tools

The Bank has used proprietary internal rating models to measure the credit quality of a given customer or transaction. Each rating relates to a certain probability of default or non-payment, determined on the basis of the Entity's historical experience, with the exception of certain portfolios classified as "low default portfolios". Rating/Scores models are used in the Bank's loan approval and risk monitoring process.

Global rating tools are applied to the sovereign risk, financial institutions and global wholesale clients (GBM). Management of these segments is centralized at Bank level. These tools assign a rating to each customer, which is obtained from a quantitative or automatic module, based on balance sheet ratios or macroeconomic variables, supplemented by the analyst's judgment.

For the corporate and individualized institutions segments, it was defined a single methodology for the construction of a rating system in each country, based on the same modules as the above-mentioned ratings: a quantitative or automatic module (analyzing the credit performance of a sample of customers and the correlation with their financial statements), a qualitative or analyst judgment module, and final reviews.

Ratings assigned to customers are reviewed periodically to include any new financial information available and the experience in the banking relationship. The frequency of the reviews is increased in the case of customers that reach certain levels in the automatic warning systems and of customers classified as requiring special monitoring. The rating tools themselves are also reviewed in order to progressively fine-tune the ratings they provide.

For standardized customers, both legal entities and individuals, scoring tools that automatically assign a score to proposed transactions.

These loan approval systems are supplemented by performance rating models. These tools provide enhanced predictability of the risk assumed and are used for preventive and marketing activities.

Credit risk parameters

The estimates of the risk parameters Probability of default (PD and LGD) should be based on internal experience, i.e. on default observations and on the experience in defaulted loan recoveries.

For low risk portfolios, such as banks, sovereign risk or global wholesale clients, the parameters are based on CDS market data and with global broadness, using Santander´s world presence.

For the other portfolios, parameter estimates are based on the Bank's internal experience. In retail portfolios, the internal rating is estimated based on models that use client behavior data and available external bureau information; PDs are then calculated based on default rates, which is defined as up to 90 days past due.

LGD calculation is based on the observation of the recoveries of defaulted loans, taking into account the guarantees/collateral associated with the loan, the income and expenses associated with the recovery process.

The estimated parameters are then assigned to performing, i.e. non-defaulted, loans. For low-default portfolios, which are managed globally, the assignment process follows the same patterns in all Santander units.

By contrast, the retail portfolios have specific scoring systems in each of the Bank's units, which require the development of separate estimates and the assignation of parameters in a particular manner in each case.

Master rating scale

In order to achieve equivalent internal ratings in the different models available –corporate, sovereign risk, financial institutions and other segments– and to make them comparable with the external ratings of rating agencies, the Bank has a so-called master rating scale.

The equivalence is established through the probability of default associated with each rating. Internally calibrated PDs are compared against the default rates associated with the external ratings, which are published periodically by rating agencies.

		Equivalence with:	
Internal rating	Probability of Default	Standard & Poor's	Moody's
9.3	0.017%	AAA	Aaa
9.2	0.018%	AA+	Aa1
9.0	0.022%	AA	Aa2
8.5	0.035%	AA-	Aa3
8.0	0.06%	A+	A1
7.5	0.09%	A	A2
7.0	0.14%	A-	A3
6.5	0.23%	BBB+	Baa1
6.0	0.36%	BBB+	Baa2
5.5	0.57%	BBB-	Baa3
5.0	0.92%	BB+	Ba1
4.5	1.46%	BB	Ba2
4.0	2.33%	BB/BB-	Ba2/Ba3
3.5	3.71%	BB-/BB+	Ba3/B1
3.0	5.92%	B+/B	B1/B2
2.5	9.44%	B	B2
2.0	15.05%	B-	B3
1.5	24.00%	CCC	Caa1
1.0	38.26%	CC/C	Caa1/Caa2

b.3) Observed loss: measures of cost of credit

To supplement the use of the advanced models described above (see related data in the "Economic Capital" section), other habitual measures are used to facilitate prudent and effective management of credit risk based on observed loss.

The cost of credit is measured by the sum of credit losses of year and to the average loans portfolio of the year.

b.4) Credit risk cycle

The risk management process consists of identifying, measuring, analyzing, controlling, negotiating and deciding on, as appropriate, the risks incurred in the Bank's operations. The parties involved in this process are the risk taking areas, senior management and the risk function.

The process begins at senior management level, through the board of directors and the risk committee, which establishes the risk policies and procedures, and the limits and delegations of powers, and approves and supervises the scope of action of the risk function.

The risk cycle comprises three different phases: pre-sale, sale and post-sale:

- Pre-sale: this phase includes the risk planning and target setting processes, determination of the Bank's risk appetite, approval of new products, risk analysis and credit rating process, and limit setting.
- Sale: this is the decision-making phase for both pre-classified and specific transactions.
- Post-sale: this phase comprises the risk monitoring, measurement and control processes and the recovery process.

Risk limit planning and setting

Risk limit setting is a dynamic process that identifies the Banco Santander's risk appetite by assessing business proposals and the attitude to risk. This process is defined in the global risk limit plan, an agreed-upon comprehensive document for the integrated management of the balance sheet and the inherent risks.

The risk limits are founded on two basic structures: customers/segments and products.

For individualized risks, customers represent the most basic level, for which individual limits are established (pre-classification).

For large corporate groups a pre-classification model, based on an economic capital measurement and monitoring system, is used. As regards the corporate segment, a simplified pre-classification model is applied for customers meeting certain requirements (thorough knowledge, rating, and others).

In the case of standardized risks, the risk limits are planned and set using the credit management programs (PGC), a document agreed upon by the business areas and the risk units and approved by the Risk Executive Committee, which contains the expected results of transactions in terms of risk and return, as well as the limits applicable to the activity and the related risk management.

Risk analysis and credit rating process

Risk analysis is a pre-requisite for the approval of loans to customers by the Bank. This analysis consists of examining the counterparty's ability to meet its contractual obligations to the Banco Santander, which involves analyzing the customer's credit quality, its risk transactions, solvency, and sustainability of business and the return to be obtained in view of the risk assumed.

The risk analysis is conducted yearly, at least, and can be held shortly when client profile indicates (through systems with centralized alerts, managers visits to clients or specific credit analysis), or when operations are not covered by pre-classification.

Transaction decision-making

The purpose of the transaction decision-making process is to analyze transactions and adopt resolutions thereon, taking into account the interest risk (risk appetite) and any transaction elements that are important in achieving a balance the relation between risk and return.

The Bank has been using, among others, the RORAC (return on risk-adjusted capital) methodology for the risk analysis and pricing in the decision-making process on transactions and deals.

Risk monitoring and control

In addition to the tasks performed by the Internal Audit Division, the Risks Vice Presidency has a specific risk monitoring function for adequate credit quality control, which consists of local and global teams to which specific resources and persons in charge have been assigned.

This monitoring function is based on process of permanent observation to enable early detection of any incidents that might arise in the evolution of the risk, the transactions, the customers and their environment, and the adoption of mitigating actions. The risk monitoring function is specialized by customer segment.

For this purpose a system called "special surveillance firms" (FEVE, using the Spanish acronym) has been designed that distinguishes four categories based on the degree of concern raised by the circumstances observed (extinguish, secure, reduce and monitor). The inclusion of a company in the FEVE system does not mean that there has been a default, but rather that it is deemed advisable to adopt a specific policy for this company, to place a person in charge and to set the policy implementation period. Customers classified as FEVE are revised at least every six months, or every three months for those classified in the most severe categories. A company is classified as FEVE as a result of the monitoring process itself, a review performed by Internal Audit, a decision made by the sales manager responsible for that company or the triggering of the automatic warning system.

Assigned ratings are reviewed at least annually, but should any weakness be detected, or depending on the rating itself, more frequent reviews are performed.

For exposures to standardized customers, the key indicators are monitored in order to detect any variance in the performance of the loan portfolio with respect to the forecasts contained in the credit management programs.

b.5) Risk control function

Supplementing the management process, the risk control function obtains a global view of the Bank's loan portfolio, through the various phases of the risk cycle, with a level of detail sufficient to permit the assessment of the current situation of the risk process, its qualities and any changes therein.

Any changes in the Bank's risk exposure are controlled on an ongoing and systematic basis against budgets, limits and benchmarks, and the impacts of these changes in certain future situations, both of an exogenous nature and those arising from strategic decisions, are assessed in order to establish measures that place the profile and amount of the loss portfolio within the parameters set by Executive Commission.

The risk control function is performed by assessing risks from various complementary perspectives, the main pillars being control by geographical location, business area, management model, product and process, thus facilitating the detection of specific areas warranting action and for which decisions have to be taken.

b.5.1) Credit recovery

The Credit Recovery department works in the credit collection and recovery of Bank Santander clients. The strategies and channels of collection operation are defined according analysis which showed the greatest efficiency in the recovery. In the early days of delinquency, is adopted a more enhanced recovery model, with specific strategies, with a closer internal monitoring. Call centers, negativation in the organs of credit protection (credit bureaus), letters of collection and collection through the branches network are used during this phase, in order to recover the loan and maintain customer relationship. In cases with arrears exceeding 60 days past due and higher values, come into play internal teams specialized in restructuring and credit recovery with direct management of delinquent customers. Lower values or more severe delays have the recovery carried out through third party collection administrative (friendly) or judicial, according to internal criteria, receiving a commission for any amounts recovered.

Tools are used, such as behavioral score, to study the performance of collecting certain groups, in an attempt to reduce costs and increase recoveries. The customers probability of payment are classified as low risk, and greater attention is paid to maintaining a healthy relationship with them. Customers with little chance of making the payment, in turn, are classified as high risk, and are being monitored more closely . All customers, with overdue amounts or restructured credits, have internal restrictions.

Sales of portfolios of defaulted loans, with a focus on operations in write-off status, are also held periodically through an auction process, in which are assessed conditions and characteristics of operations for its evaluation, without retention of risk.

b.6) Credit risk from other standpoints

Certain areas and/or specific views of credit risk deserve specialist attention, complementary to global risk management.

Concentration risk

Concentration risk is an essential factor in the area of credit risk management. The Bank constantly monitors the degree of concentration of its credit risk portfolios, by geographical area/country, economic sector, product and customer group.

The risk committee establishes the risk policies and reviews the exposure limits required to ensure adequate management of credit risk portfolio concentration.

From the sectorial standpoint, the distribution of the corporate portfolio is adequately diversified.

The Bank's Risk Area works closely with the Finance Area in the active management of credit portfolios, which includes reducing the concentration of exposures through several techniques, such as the arrangement of credit derivatives for hedging purposes or the performance of securitization transactions, in order to optimize the risk/return ratio of the total portfolio.

Credit risk from financial market operations

This heading includes the credit risk arising in treasury operations with customers, mainly credit institutions. These operations are performed both via money market financing products with different financial institutions and via derivative instruments arranged for the purpose of serving our customers.

Risk control is performed using an integrated, real-time system that enables the Bank to know at any time the unused exposure limit with respect to any counterparty, any product and maturity and at any Bank unit.

Credit risk is measured at its current market value and its potential value (exposure value considering the future variation in the underlying market factors). Therefore, the credit risk equivalent (CRE) is defined as the sum of net replacement value plus the maximum potential value of the contracts in the future.

Environmental risk

Are in effect Environmental Risk Practice for the Bank Santander for the Wholesale Bank which in addition to lending, provides analysis of environmental issues in accepting clients. The Environmental Risk area analyzes the social management of the client and its value chain by checking items such as contaminated areas, deforestation, labor violations and other problems for which there is the risk of penalties.

A specialized team with a background in Biology, Geology, Chemistry, Health and Safety Engineering monitors the social and environmental practices of clients and a team of financial analysts studying the probability of damages related to such practices that may affect the guarantees and the financial condition of Banks' customers. Our experience shows that the company cares for the well-being of its employees and the environment in which it operates tend to have a more efficient and therefore more likely to honor their commitments and generate good business.

b.7) Variations in main aggregates in 2012

Systems integration and search for speed and simplicity in our day to day operations resulted in a new risk model, consolidated in 2012 into a single technology platform, which allowed us to streamline processes and improve the approval period for our credit customers. The new model has brought significant synergy gains for credit analysis as more scope to the team's commercial retail and new models score without losing credit quality and prudence that has characterized our political risk.

Thus, we reinforce our regionalized structure and were better prepared to grow and gain market share, supporting the business strategy of Santander in Brazil. Thus, we end the year with above-market results, reversing the trend of the first month.

In 2012, we also work on credit recovery, especially due to the increase in defaults. Reinforce controls and guidance we offer to our customers in order to ensure they have access to products and services commensurate with their income. For this, we created a team of experts prepared to understand the reality of customers and thus offer solutions for all types of situations.

Even before this, we are still adopting a strategy of expanding credit, supported by the positive momentum of the Brazilian economy and our political risk. One of the differences of this policy is the involvement of top management in decision making. The discussions take place in the Risk Committee and the resolutions are defined in a collegiate manner to ensure maximum alignment. Another important point is the independence of staff in relation to the business, which allows more assertive decisions and reduces credit risk.

On the environmental risk, the year 2012 was important to consolidate our practices and improve processes, increasing the rigor of the controls the most critical areas of the productive sector.

The following table shows the key indicators of credit risk:

	2012	2011	2010
Credit risk exposure - customers (*) (Thousand of Reais)	238,803,816	216,756,389	183,121,435
Non-performing loans ratio (%)	7.58%	6.73%	5.82%
Impairment coverage ratio (%)	87.45%	85.52%	98.32%
Specific credit loss provisions, net of RAWO (**) (Thousand of Reais)	14,041,987	11,179,835	9,191,762
Cost of credit (% of risk)	7.25%	4.76%	4.86%

Data prepared on the basis of management criteria and the accounting criteria of the controller unit.
(*) Includes gross loans and advances to customers, guarantees and documentary credits.
(**) RAWO = Recoveries of Assets Derecognized.

c) Market Risk

Market risk is the exposure to risks such as interest rates, exchange rates, prices of goods, prices in the stock market and others according to the type of product, volume of operations, term and conditions of the agreement and underlying volatility.

The Bank operates according to global policies, within the Group's risk tolerance level, aligned with the objectives in Brazil and in the world.

With this purpose, it has developed its own Risk Management model, according to the following principles:

- Functional independence;

- Executive capacity sustained by knowledge and proximity with the client;

- Global and far-reaching of the function (different types of risk);

- Collective decision-making, which evaluate a variety of possible scenarios and do not compromise the results with individual decision, including Brazil Executive Risk Committee (Comitê Executivo de Riscos Brasil), which delimits and approves the operations and the Asset and Liabilities Committee, which responds for the capital management and structural risks, including country-risk, liquidity and interest rates.

- Management and improvement of the equation risk/return; and

- Advanced methodologies for risk management, such as Value at Risk – VaR (historical simulation of 521 days with a confidence level of 99¨and time horizon of one day), scenarios, financial margin sensibility, book value and contingency plan.

The Market Risks structure is part of the Vice Presidency of Credit and Market Risks, an independent area that aligns risk policies taking into consideration the guidelines of the Board of Directors and the Risks Division of Santander in Spain.

c.1) Activities subject to market risk

The measurement, control and monitoring of the market risk area comprises all operations in which net worth risk is assumed. This risk arises from changes in the risk factors –interest rate, exchange rate, equities, commodity prices and the volatility thereof– and from the solvency and liquidity risk of the various products and markets in which the Bank operates.

The activities are segmented by risk type as follows:

- Trading: this item includes financial services for customers, trading operations and positioning mainly in fixed-income, equity , foreign currency products and shares.

- Balance sheet management: A risk management assessment aims to give stability to interest income from the commercial and economic value of the Bank, maintaining adequate levels of liquidity and solvency. The risk is measured by the balance sheet exposure to movements in interest rates and level of liquidity.

- Structural risks:

i. Structural foreign currency risk/hedges of results: foreign currency risk arising from the currency in which investments in consolidable and non-consolidable companies are made (structural exchange rate). This item also includes the positions taken to hedge the foreign currency risk on future results generated in currencies other than the Real (hedges of results).

ii. Structural equities risk: this item includes equity investments in non-consolidated financial and non-financial companies that give rise to equities risk.

The Treasury area is responsible for managing the positions taken in the trading activity.

The Financial Management area is responsible for managing the balance sheet management risk and structural risks centrally through the application of uniform methodologies adapted to the situation of each market in which the Bank operates. Thus, in the convertible currencies area, Financial Management directly manages the Parent's risks and coordinates the management of the other units operating in these currencies. Decisions affecting the management of these risks are taken through the ALCO committees in the respective countries and, ultimately, by the Parent's markets committee.

The aim pursued by Financial Management is to ensure the stability and recurring nature of both the net interest margin of the commercial activity and the Bank's economic value, whilst maintaining adequate liquidity and solvency levels.

Each of these activities is measured and analyzed using different tools in order to reflect their risk profiles as accurately as possible.

c.2) Methodologies

Trading

The Bank calculates trading market risk capital requirement using a standard model provided by Bacen.

The standard methodology applied to trading activities by the Santander Bank and the value at risk (VaR), which measures the maximum expected loss with a given confidence level and time horizon. This methodology was based on a standard historical simulation with a 99% confidence level and a one-day time horizon. Statistical adjustments were made to enable the swift and efficient incorporation of the most recent events that condition the level of risk assumed.

Specifically, the Bank uses a time window of two years or 521 daily data obtained retrospectively from the reference date of the VaR calculation. Two figures are calculated each day, one by applying an exponential decline factor which gives a lesser weighting to more distant observations in time, and another with uniform weightings for all observations. The VaR reported is the higher of these two figures.

VaR is not the only measure. It is used because it is easy to calculate and because it provides a good reference of the level of risk incurred by the Bank. However, other measures are simultaneously being implemented to enable the Bank to exercise greater risk control in all the markets in which it operates.

One of these measures is scenario analysis, which consists of defining behavior scenarios for various financial variables and determining the impact on results of applying them to the Bank's activities. These scenarios can replicate past events (such as crises) or, conversely, determine plausible scenarios that are unrelated to past events. A minimum of three types of scenarios are defined (plausible, severe and extreme) which, together with VaR, make it possible to obtain a much more complete spectrum of the risk profile.

The positions are monitored daily through an exhaustive control of changes in the portfolios, the aim being to detect possible incidents and correct them immediately. The daily preparation of an income statement is an excellent risk indicator, insofar as it allows us to observe and detect the impact of changes in financial variables on the portfolios.

Lastly, due to their atypical nature, derivatives and credit trading management (actively traded credit – Trading Book) activities are controlled by assessing specific measures on a daily basis. In the case of derivatives, these measures are sensitivities to fluctuations in the price of the underlying (delta and gamma), in volatility (vega) and in time (theta). For credit trading management activities, the measures controlled include sensitivity to spread, jump-to-default and position concentrations by rating level.

With respect to the credit risk inherent in the trading portfolios (Credit Trading portfolios), and in keeping with the recommendations made by the Basel Committee of Banking Supervision, an additional measure has been introduced, the Incremental Risk Charge (IRC), in order to cover the default risk which is not properly captured in the VaR, through the variation of the related market prices of credit spreads. The instruments affected are basically fixed-income bonds, , derivatives on bonds (forwards, options, etc.) and credit derivatives (credit default swaps, asset-backed securities, etc.). The method used to calculate the IRC, is defined globally at Group level.

c.3) Balance-sheet management

Interest rate risk

The Bank analyses the sensitivity of the net interest margin and market value of equity to changes in interest rates. This sensitivity arises from maturity and interest rate repricing gaps in the various balance sheet items.

On the basis of the balance-sheet interest rate position, and considering the market situation and outlook, the necessary financial measures are adopted to align this position with that desired by the Bank. These measures can range from the taking of positions on markets to the definition of the interest rate features of commercial products.

The measures used by the Bank to control interest rate risk in these activities are the interest rate gap, the sensitivity of net interest margin (NIM) and market value of equity (MVE) to changes in interest rates, the duration of capital, value at risk (VaR) and scenario analysis.

Interest rate gap of assets and liabilities

The interest rate gap analysis focuses on the mismatches between the interest reset periods of on-balance-sheet assets and liabilities and of off-balance-sheet items. This analysis facilitates a basic snapshot of the balance sheet structure and enables concentrations of interest rate risk in the various maturities to be detected. Additionally, it is a useful tool for estimating the possible impact of potential changes in interest rates on the entity's net interest margin and market value of equity.

The flows of all the on- and off-balance-sheet aggregates must be broken down and placed at the point of repricing or maturity. The duration and sensitivity of aggregates that do not have a contractual maturity date are analyzed and estimated using an internal model.

Net interest margin (NIM) sensitivity

The sensitivity of the net interest margin measures the change in the expected accruals for a specific period (12 months) given a shift in the interest rate curve.

The sensitivity of the net interest margin is calculated by simulating the margin both for a scenario of changes in the interest rate curve and for the current scenario, the sensitivity being the difference between the two margins so calculated.

Market value of equity (MVE) sensitivity

The sensitivity of the market value of equity is a complementary measure to the sensitivity of the net interest margin.

This sensitivity measures the interest rate risk implicit in the market value of equity based on the effect of changes in interest rates on the present values of financial assets and liabilities.

Value at risk (VaR)

The value at risk for balance sheet aggregates and investment portfolios is calculated by applying the same standard as that used for trading: historical simulation with a confidence interval of 99% . Statistical adjustments were made to enable the swift and efficient incorporation of the most recent events that condition the level of risk assumed.

c.4) Liquidity risk

Liquidity risk is associated with the Bank's ability to finance its commitments at reasonable market prices and to carry out its business plans with stable sources of funding. The Bank permanently monitors maximum gap profiles.

The measures used to control liquidity risk in balance sheet management are the liquidity gap, liquidity ratios, stress scenarios and contingency plans.

Liquidity gap

The liquidity gap determines the inflow and outflow of funds for assets, liabilities (note 42.d) and off-balance sheet accounts at a given time horizon, making it possible to analyze mismatches between the Bank's expected inflow and outflow of funds.

A liquidity gap may be prepared and analyzed as divided into local currency liquidity gap and foreign currency liquidity gap, under which cash and cash equivalents, inflows and outflows and strategies are segregated into local and foreign currency, respectively.

The Bank prepares three types of Liquidity Gap analyses:

1 - Contractual liquidity gap

The Contractual Liquidity Gap determines the contractual maturity flows of the Bank's major products on a consolidated basis, and any existing mismatches. It also informs the available liquidity in one day and the consumption of or increase in liquidity in the period.

2 - Operational liquidity gap

Daily cash monitoring and management considering the market situation, maturities and renewal of assets and liabilities, liquidity requirement and specific events.

3 - Projected liquidity gap

Based on the Contractual Liquidity Gap, new maturity flows are projected considering the Bank's budget plan.

Liquidity ratios

In addition to the Liquidity Gap analysis, a Structure Liquidity model is also prepared to assess the structure profile of the sources and uses of the Bank's funds, which includes Liquidity Ratio studies.

The key Liquidity Ratios analyzed are as follows:

• Deposits / Lending operations – measures the Institution's ability to finance lending operations with more stable and lower-cost funding.

• Stable Liabilities / Permanent Assets – measures the ration between Capital + Other Stable Liabilities and Investments + Other Permanent Assets.

• Market Funding / Total Assets – measures the percentage of the Group's assets financed with less stable and higher-cost funding.

• Short-term market funding / Market Funding – measures the percentage of probable liquidity loss (less than 90 days) on total less stable funding.

• Net Assets / Short-term Market Funding – measures the commitment ratio of highly-liquid assets and probable liquidity loss(less than 90 days).

Scenario analysis / Contingency plan

Liquidity management requires an analysis of financial scenarios where possible liquidity issues are evaluated. For this, crisis scenarios are built and then studied. The model used for this analysis is the Liquidity Stress Test.

The Liquidity Stress Test assesses the institution's financial structure and ability to resist and respond to the most extreme situations.

The purpose of the Liquidity Stress Test is to simulate adverse market conditions, making it possible assess impacts on the institution's liquidity and payment ability, so as to take preventive actions or avoid positions that may adversely affect liquidity in worst-case scenarios.

Scenarios are determined based on an analysis of the market commitment during prior crises and future estimates. Four scenarios with different intensity levels are prepared.

Based on an analysis of the stress models, the Minimum Liquidity concept was determined, which is the minimum liquidity required to support the liquidity losses of up to 90% for 90 days in all crisis scenarios simulated.

Based on the results obtained through the Liquidity Stress Test, the Bank prepares its Liquidity Contingency Plan, which is a formal combination of preventive and corrective actions to be taken in liquidity crisis scenarios.

The Liquidity Contingency Plan is primarily intended to the following:

• Crisis identification – the preparation of a Liquidity Contingency Plan requires the determination in advance of a measurable parameter determining the institution's liquidity condition and structure. This parameter is the Liquidity Minimum Limit determined by the Liquidity Stress Test. When this limit is exceeded, there is a liquidity crisis environment, and thus, the Contingency Plan is used.

• Internal Communication – after the crisis is identified, it is necessary to establish clear communication channels to mitigate the problems raised. People held accountable for taking these contingency actions should be notified of the extent of the contingency and measures to be taken.

• Corrective actions – Actions intended to actually generate the funds required to solve or mitigate the effects of crisis, as follows:

- Assess the type and severity of the crisis;

- Identify the most impacted segment;

- Put in practice the measures planned to generate funds, considering the required amount and cost of the additional resource, either financial or image cost.

ALCO reviews and approves stress models, Minimum Liquidity and Contingency Plan on a semi-annual basis.

If adverse market conditions occur, ALCO may review and approve new models, Minimum Liquidity and Contingency Plan on a need basis.

c.5) Structural foreign currency risk / Hedges of results / Structural equities risk

These activities are monitored by measuring positions, VaR and results.

c.5.1) Complementary measures

Calibration and test measures

Back-testing consists of performing a comparative analysis between VaR estimates and daily "clean" results (profit or loss on the portfolios at the end of the preceding day valued at following-day prices). The aim of these tests is to verify and provide a measure of the accuracy of the models used to calculate VaR.

Back-testing analyses performed at the Santander Bank comply, at the very least, with the BIS recommendations regarding the verification of the internal systems used to measure and manage financial risks. Additionally, the Santander Bank also conducts hypothesis tests: excess tests, normality tests, Spearman's rank correlation, average excess measures, etc.

The assessment models are regularly calibrated and tested by a specialized unit.

c.6) Control system

Limit setting

The limit setting process is performed together with the budgeting activity and is the tool used to establish the assets and liabilities available to each business activity. Limit setting is a dynamic process that responds to the level of risk considered acceptable by senior management.

The limits structure requires a process to be performed that pursues, inter alia, the following objectives:

1. To identify and delimit, in an efficient and comprehensive manner, the main types of financial risk incurred, so that they are consistent with business management and the defined strategy.

2. To quantify and communicate to the business areas the risk levels and profile deemed acceptable by senior management so as to avoid undesired risks.

3. To give flexibility to the business areas for the efficient and timely assumption of financial risks, depending on market changes, and for the implementation of the business strategies, provided that the acceptable levels of risk are not exceeded.

4. To allow business makers to assume risks which, although prudent, are sufficient to obtain the budgeted results.

5. To delimit the range of products and underlyings with which each Treasury unit can operate, taking into account features such as assessment model and systems, liquidity of the instruments involved, etc.

c.7) Risks and results in 2012

Trading

The average VaR of the Bank's trading portfolio in 2012 was R$20.8 million (2011 – R$21.7 million and 2010 - R$27.2 million). The dynamic management of this profile enables the Bank to change its strategy in order to capitalize on the opportunities offered by an environment of uncertainty.

c.7.1) Balance sheet management [(1)]

Interest rate risk

Convertible currencies

At 2012 year-end, the sensitivity of the net interest margin at one year to parallel increases of 100 basis points applied to Banco Santander portfolios was concentrated on the BRL interest rate curve was negative by R$271.62 million.

Also at 2012 year-end, the sensitivity market value of equity to parallel increases of 100 basis points applied to the Banco Santander in the BRL interest rate curve was negative by R$1,532.94 million.

Quantitative risk analysis

The interest rate risk in balance sheet management portfolios, measured in terms of sensitivity of the net interest margin (NIM) at one year to a parallel increase of 100 b.p. in the interest rate curve, increased R$9 million over 2012, reaching a maximum of R$272 million in the month in December. The sensitivity value increased R$41 million during 2012. The main factors that occurred in 2012 and influenced the growth of this sensitivity were:

- Growth of loans portfolio, increasing MVE in R$ 84 million;

- Duration increase of pre-fixed Brazilian sovereign bonds, increasing MVE in R$ 94 million;

- Sale of 181.420 contracts of DI futures (Cash Flow Hedge): decreasing MVE in R$ 144 million.

Thousands of Reais	2012	2011	2010
Sensibilities			
Net Interest Margin	272	263	254
Market Value of Equity	1,533	1,492	1,249
Value at Risk - Balance			
VaR	296	252	309

(1) Includes the balance sheet total, except for the financial assets and liabilities held for trading.

Structural liquidity management

Structural liquidity management seeks to finance the Bank's recurring business with optimal maturity and cost conditions, avoiding the need to assume undesired liquidity risks.

The main features of the structural liquidity management in 2012 were as follows:

• Ample structural liquidity position. Since Santander is basically a commercial bank, customer deposits constitute the main source of liquidity in its financing structure. These deposits, combined with capital and other similar instruments, enable the Bank to cover most of its liquidity requirements and, as a result, the financing raised in wholesale markets is moderate with respect to the size of its balance sheet.

• In Brazil, the legal reserve requirement takes a considerable part of the funding.

• Obtainment of liquidity through diversification in instruments. Additionally, subordinated and senior debts have an overall long maturity.

• The local balance sheet should be self-funded.

• Based on stress test results, a minimum liquidity buffer is maintained.

• Santander reliance in international funding is not considerable.

• The aim is that hard currency related activities be funded with third parties hard currency funding.

• Though, given that potential disruptions in this market, Banco Santander has mechanisms to use the local liquidity in order to support hard currency activities.

• High capacity to obtain on-balance-sheet liquidity. Government bond positions are held for liquidity management purposes.

• The Bank performs control and management functions, which involves planning its funding requirements, structuring the sources of financing to achieve optimum diversification in terms of maturities and instruments, and defining contingency plans.

In practice, the liquidity management performed by the Bank consists of the following:

• Each year, a liquidity plan is prepared on the basis of the financing needs arising from the budgets of each business. Based on these liquidity requirements and taking into account certain prudential limits on the obtainment of short-term market financing, the Bank establishes an issue and securitization plan for the year.

• Throughout the year the Bank periodically monitors the actual changes in financing requirements and updates this plan accordingly.

• Control and analysis of liquidity risk. The primary objective is to guarantee that the Bank has sufficient liquidity to meet its short- and long-term financing requirements in normal market situations. To this end, the Bank employs certain balance-sheet control measures, such as the liquidity gap and liquidity ratios.

Simultaneously, various scenario (or stress-scenario) analyses are conducted which consider the additional requirements that could arise if certain extreme but plausible events occur. The aim pursued is to cover a broad spectrum of situations that are more or less likely to affect the Bank, thus enabling it to prepare the related contingency plans.

c.8) Sensitivity analysis

The risk management is focused on portfolios and riskfactors pursuant to the requirements of regulators and good international practices.

Financial instruments are segregated into trading and banking portfolios, as in the management of market risk exposure, according to the best market practices and the transaction classification and capital management criteria of the Basileia II New Standardized Approach of regulators. The trading portfolio consists of all transactions with financial instruments and products, including derivatives, held for trading, and the banking portfolio consists of core business transactions arising from the different Banco Santander business lines and their possible hedges. Accordingly, based on the nature of Banco Santander's activities, the sensitivity analysis was presented for trading and banking portfolios.

Banco Santander performs the sensitivity analysis of the financial instruments in accordance with requirements of regulatory bodies and international best practices, considering the market information and scenarios that would adversely affect the positions of the Bank.

The table below summarizes the stress amounts generated by Banco Santander's corporate systems, related to the banking and trading portfolio, for each one of the portfolio scenarios as at December 31, 2012.

Trading portfolio

		2012		
Risk Factor	**Description**	**Scenario 1**	**Scenario 2**	**Scenario 3**
Interest Rate - Reais	Exposures subject to changes in interest fixed rate	(11,496)	(238,391)	(476,783)
Coupon Interest Rate	Exposures subject to changes in coupon rate of interest rate	(11,516)	(78,209)	(156,418)
Coupon - US Dollar	Exposures subject to changes in coupon US Dollar rate	(3,615)	(530)	(1,059)
Coupon - Other Currencies	Exposures subject to changes in coupon foreign currency rate	(20)	(220)	(440)
Foreign currency	Exposures subject to foreign exchange	(139)	(3,465)	(6,931)
Eurobond/Treasury/Global	Exposures subject to changes in interest rate negotiated roles in international market	(2,137)	(9,629)	(19,257)
Inflation	Exposures subject to change in coupon rates of price indexes	(9,420)	(90,228)	(180,455)
Shares and Indexes	Exposures subject to change in shares price	(814)	(20,343)	(40,686)
Other	Exposures not meeting the previous settings	(557)	(8)	(16)
Total [1]		**(39,714)**	**(441,023)**	**(882,045)**

(1) Amounts net of taxes.

Scenario 1: a shock of 10 base points on the interest curves and 1% to price changes (currency stock market and spot positions);

Scenario 2: a shock of +25% and -25% in all risk factors, are considered the greatest losses per risk factor;

Scenario 3: a shock of +50% and -50% in all risk factors, are considered the greatest losses per risk factor.

Portfolio Banking

		2012		
Risk Factor	**Description**	**Scenario 1**	**Scenario 2**	**Scenario 3**
Interest Rate - Reais	Exposures subject to changes in interest fixed rate	(36,192)	(728,811)	(1,372,543)
TR and Long-Term Interest Rate - (TJLP)	Exposures subject to changes in coupon of TR na TJLP	(9,644)	(205,091)	(386,553)
Inflation	Exposures subject to change in coupon rates of price indexes	(1,462)	(13,098)	(25,872)
Coupon - US Dollar	Exposures subject to changes in coupon US Dollar rate	(81,689)	(302,486)	(628,257)
Coupon - Other Currencies	Exposures subject to changes in coupon foreign currency rate	(10,432)	(67,027)	(147,911)
Interest Rate Markets International	Exposures subject to changes in interest rate negotiated roles in international market	(84,457)	(325,515)	(625,725)
Total [1]		**(223,876)**	**(1,642,028)**	**(3,186,861)**

(1) Amounts net of taxes.

Scenario 1: a shock of 10 base points on the interest curves;

Scenario 2: a shock of +25% and -25% in all risk factors, are considered the greatest losses per risk factor;

Scenario 3: a shock of +50% and -50% in all risk factors, are considered the greatest losses per risk factor.

d) Operational and Technological Risks and Internal Controls - SOX

Banco Santander's corporative areas, responsible for technological and operational risk management and Internal controls are under the supervision of various vice-presidents, with structures, procedures, methodologies, tools and specific internal models guaranteed through an appropriate managerial model permitting the identification, capture, assessment, control, monitoring, mitigation and reduction of operational risk events and losses. In addition, the management and prevention of operational and technological risks, the continuity of the business and the continuous strengthening of the internal control system, meets the requirements of the regulators, the New Basel Accord (BIS II) and the Sarbanes-Oxley Act (SOX). It is also aligned with the guidelines set forth by Banco Santander Spain, which are based on the COSO - Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management – Integrated Framework.

The procedures developed and adopted are intended to ensure Banco Santander's continuing presence among the select group of financial institutions recognized as having the best operational risk management practices, thereby helping to continuously improve its reputation, solidity and reliability in the local and international markets.

Top management plays an active part, aligned with the mission of the areas, recognizing, participating and sharing responsibility for the continuous improvement of the operational and technological risk management culture and structure, as well as of the internal control system, in order to ensure compliance with the established objectives and goals, as well as the security and quality of the products and services provided.

Banco Santander's Board of Directors opted to adopt the Alternative Standardized Approach (ASA) to calculate the installment of Required Notional Equity (PRE) related to operational risk.

The 2012 review of the effectiveness of internal controls in the Banco Santander companies, in accordance with section 404 of the Sarbanes-Oxley Act, was concluded in March 2013 and found no evidence of any material issues.

d.1) Operational and Technological Risks Area (ROT)

This area is responsible for implementing best practices in regard to operational and technological risk management and controls, as well as business continuity management Such practices are designed to help managers meet strategic goals, contribute to Santander's decision-making process and the daily course of its activities and ensure compliance with all legal and regulatory requirements, thus maintaining the Bank's reputation, reliability and solidity.

The foundations of the model adopted for the management and control of operational and technological risks combine both a centralized and decentralized approach.

Centralized approach: determines that the Operational Risk area is responsible for the control of operational and technological risks, corresponding to the following activities: the identification, assessment, capture, monitoring, control, analysis, consolidation, mitigation and modeling of significant operational risks and the events and losses resulting from such risks, encompassing all of Banco Santander's areas, processes and institutions.

De-centralized approach: determines that the management of operational and technological risks is the responsibility of the organization's area, process and product managers, aided by operational risk and internal control representatives, and supported by the policies, methodologies and tools defined by the ROT. Managers identify and communicate operational risk events to the ROT for registration in the historical event and loss database and in order to develop and implement corrective and preventive measures.

Banco Santander does everything possible to ensure the convergence and consistent integration of best operational risk control and management practices. With this in mind it also adopts qualitative and quantitative focuses, and the management and control of technological risks and business continuity.

d.2) Qualitative and Quantitative Focuses

The qualitative focus aims to identify and prevent operational risks, as well as define the risk profile of the areas, processes and products, seeking to strengthen the internal control environment and monitor key qualitative operational risk indicators (KRIs).

The quantitative focus is correlated with the qualitative one, helping to detect, correct and prevent operational risks, as well as providing a mechanism for analyzing and making strategic and operational decisions.

Both focuses are responsible for providing methodologies and tools to assist managers in identifying and assessing risks and controls, as well as defining the operational risk profiles of the areas, processes and products. They also help in the implementation of policies, rules, procedures and tools to maintain the flow of capturing risk events, losses and key operational risk indicators, consolidating them into a single database, allowing analysis of the respective risks, identification of their main causes, and, together with the responsible managers, the coordination and effective implementation of action plans to mitigate and reduce operational risks and losses.

d.3) Management and Control of Technological Risks

Helps managers to identify and evaluate technological risks and their respective internal controls in specific relation to technology-related processes and activities. It also defines methodologies and tools, working closely with corporate management and coordination with those responsible for preventing and reducing the impacts caused by technological risk events.

d.4) Management of Business Continuity

Responsible for coordinating and controlling the implementation, maintenance and updating of the Business Continuity Management (GCN) methodology of Santander's various areas.

Its main goal is to preserve the integrity of the organization's people, values and commitments, in addition to evaluating the need to develop and implement the Business Continuity Plan and the consequent formalization of procedures and alternative infrastructure to ensure the continuity of Santander's core businesses with its stakeholders. These plans are developed through the evaluation of impacts caused by a possible interruption of activities as a result of extreme events that may affect the Company.

The main results are:

- Analysis of Business Impact – BIA;
- Business Continuity Plan – PCN;
- Contingency structure activation tests; and
- Group Crisis Response – GRC.

d.5) Scope and Sustainability

The scope of Santander's operational and technological risk management, as well as its business continuity management, exceeds the allocation of regulatory capital. Acting in an ethical and professional manner, the control of operational and technological risks generates important advantages for the Bank, ensuring its sustainable development, including:

- Improved operational efficiency and productivity in activities and processes and optimization of the allocation of economic and regulatory capital.
- Compliance with existing regulations (Bacen, CVM, Susep and BIS-II), as well as with new requirements, and monitoring timely responses to requests from regulatory bodies.
- Strengthening of the Bank's reputation and improving the risk/return ratio for its stakeholders.
- Maintaining and preserving the quality and reliability of the Bank's products and services, as well as those of its related parties.
- Identifying and addressing in a timely manner the need to correct vulnerabilities in processes and conduct business continuity and damage control tests.
- Development and application of training programs through online and on-site courses aiming to disseminate the operational and technological risk and GCN culture.
- Propagation of the operational risk management and control culture through internal communications (intranet, printed material and other means), thereby reinforcing accountability.

This solid and efficient structure permits the continuous enhancement of existing methodologies and the further dissemination of the culture of responsibility in regard to the management and control of operational risk events.

d.6) Differential factor

The Operational Risk area invests in the development, training and updating of its professionals so they can keep up with changes in the business environment, in addition to offering training programs for other professionals through the intranet and on-site courses.

This has made a significant contribution to Banco Santander consistently achieving its strategic and operational goals, by providing knowledge of the exposure to assumed operational risks and the controlled environment, maintaining the Bank's low-risk profile and ensuring the sustainable development of its operations. In this context, the following are particularly important:

- Annual Operational and Technological Risk Prevention and Control Week.
- Maintenance of the New Employee Interaction Program, "A single voice," with lectures on responsibility and operational risk management.
- Training on the necessary procedures for evaluating the internal control environment.
- Mandatory training for all Santander employees through Netcursos, addressing the issue of operational risks and business continuity.
- The creation, dissemination and maintenance of Instruction Manuals, promoting corporate values and commitment.
- Coordination of the annual process for projecting losses caused by operational risks, defining action plans to reduce these losses and for accountability.
- Development of key risk indicators, aiming to ensure absolute and relative analyses based on volumetry and market analysis.
- Integration with the other areas of the Bank, electing representatives for the most important ones, including the technology area.

d.7) Outlook

As a result of the structure, methodology and management model it has developed and adopted and which has proved its effectiveness through the implementation of improved internal controls and the identification of risk exposure, Banco Santander is expected to further strengthen its position in the local and international markets, while consolidating this strategy, in order to maintain its recognition as an innovative institution in regard to managing and controlling operational and technological risks and managing business continuity.

d.8) Communication Policy

The Operational Risk area is part of Banco Santander's governance structure and produces a series of specific monthly reports for senior management detailing events that occurred, the main activities undertaken, and the corrective and precautionary action plans identified and monitored, ensuring transparency and providing knowledge for governance forums.

Every six months, it produces a Report on the Management and Control of Operational and Technological Risks, the Management of Business Continuity and the Evaluation of Internal Controls, which is presented to the Bank's Board of Directors for its awareness and to enable it to take resolutions on the results and activities developed in the period.

Additional information can be obtained from the Bank's Social and Annual Reports on its website.

Internal Controls and the Sarbanes-Oxley Act Area (Sox)

The Bank instituted the SOX Internal Controls area in order to strengthen the monitoring and continuous enhancement of the Internal Controls Model (MCI) through the implementation and coordination of this Model, which aims to reduce risks in the preparation and disclosure of financial statements.

The area is responsible for implementing and maintaining the SOX Internal Controls Model (MCI), which is consolidated by information documented in a single database (the SOX System), with access to the responsible managers and other authorized users, including auditors, through the local intranet or email.

The system helps Management administer the MCI, in addition to documenting sub-processes and associated risks and controls. It is also used by the managers responsible to certify controls, sub-processes, processes, activities and subgroups, in order to ensure that there are no problems with the financial statements to be certified by the Chief Executive Officer and Executive Vice-President.

The methodology adopted by the Bank establishes the periodic evaluation of the internal control systems aiming to:

- Based on established and performed tests, obtain a reasonable degree of security in relation to the design and operation of the control activities documented in the Internal Controls Model;

- Ensure the proper operation of control activities for all transactions and during the entire year;

- Obtain information to support corrective measures to resolve any deficiencies in internal controls; and

- Develop a sustainable test program to enable periodic evaluations by Santander's management.

Responsibilities of the Sox Internal Controls area

To help strengthen the SOX Internal Control Model to ensure compliance with the requirements of the Sarbanes-Oxley Act of 2002.

In order to comply with the requirements of this law, Santander adjusted its Internal Controls Model (MCI) to stricter international standards, which are in line with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), encompassing strategic, operational, financial disclosure and compliance elements.

The methodology includes the following periods for internal certification:

- semiannual certification – beginning of the second half: resulting from the evaluation of the design and operation of the control activities in relation to the first half.

- annual certification – beginning of the following year: resulting from the evaluation of the design and operation of controls in the second half or during the year ended – annual controls are not included in the semiannual certification.

In addition, it prepares a semiannual report to evaluate the quality and compliance of the internal control systems and to identify material distortion risks that may impact the financial statements, as well as evaluate the quality of the internal control environment that permits the correct preparation and disclosure of the financial statements, thus meeting the requirements of the regulatory bodies. The internal controls report considers the entire Internal Controls Model methodology developed, applied and monitored under the Sox System.

The main goals of the area are:

- To disseminate the risk management and internal control culture throughout the various levels of the Organization;

- To implement and provide formal maintenance of the Risk and Control Model based on a consistent methodology (COSO and COBIT) accepted by the inspection bodies and including all the relevant areas;

- To document the operational flow, allowing the process to be viewed as a whole, identifying material risks and controls involving the business and the improvement of processes;

- To provide support for the conclusion that the Internal Control Model is appropriate for the nature and complexity of the respective businesses;

- To validate the identified and documented controls in order to mitigate potential material risks of the activities through effectiveness tests in regard to design and operation.

e) Reputational Risk

e.1) Reputational Risk

Reputational risk is the exposure arising from negative public opinion, irrespective of whether this opinion is based on facts or merely on public perception. Accordingly Santander Bank aims to offer the most suitable product according to the customer profile.

e.2) Compliance

The Compliance Risk is the legal risk or regulatory sanctions, financial loss, or damages to the Bank reputation as a result of failure to comply with laws, regulations, codes of conduct and good banking practice. The Compliance at Santander Bank has a proactive approach, working in educational processes, monitoring and corporate communications.

Operates independently and reports to Senior Management, Regulatory Compliance Panel, contributing to maintain the bank's reputation.

e.3) Directives

a. Compliance principles – Ethics and Conduct in the Securities Markets

The Bank's ethical principles and conduct parameters are established in internal policies which are made available to all employees. Conduct Code in the Securities Markets and its formal acknowledgement is mandatory to all staff working close to securities markets. Proper communication channels are in place to clarify doubts and complaints from employees, and monitoring and controls are conducted in a way that adherence to the rules established is secured.

b. Anti-money laundering

The Bank's anti-money laundering policies and terrorism financing prevention are based on the knowledge and rigorousness of the acceptance of new clients, complemented by the continuous scrutiny of all transactions where the Bank are involved in. The importance given to the theme is reflected on the direct involvement of senior management, namely the Operational Money Laundering Prevention Committee, which meets each trimester to deliberate on issues regarding the theme and to be directly involved with new clients acceptance and suspicious transactions reporting.

c. New products and services and suitability

All new products and services are debated/analyzed in internal committees on several levels until their risks are completely minimized, the Corporate Commercialization Committee (Comité Corporativo de Comercialización - CCC), integrated by senior executives of Santander (Spain), being the ultimate approval instance. After the approval these products and services are monitored, in order to identify events in a timely manner that may pose reputational risk, reported to the Comitê Local de Comercialização (Local Commercialization Committee).

f) Compliance with the new regulatory framework

The Santander Bank has assumed from the outset a firm commitment to the principles underlying the "Revised Framework of International Convergence of Capital Measurement and Capital Standards" (Basel II). This framework allows entities to make internal estimates of the capital they are required to hold in order to safeguard their solvency against events caused by various types of risk. As a result of this commitment, the Santander Bank has devoted all the human and material resources required to ensure the success of the Basel II implementation plan. For this purpose, a Basel II team was created in the past, consisting of qualified professionals from the Bank's different areas: mainly Risks, Technology and Operations, the Controller's Unit, Financial Management, Internal Audit −to verify the whole process, as the last layer of control at the entity−, and Business −particularly as regards the integration of the internal models into management. Additionally, specific work teams have been set up to guarantee the proper management of the most complex aspects of the implementation.

Supplementing the efforts of the Basel II operating team, Santander Bank senior management has displayed total involvement from the very beginning. Thus, the progress of the project and the implications of the implementation of the New Capital Accord for the Santander Bank have been reported to the management committee and to the board of directors on a regular basis.

In the specific case of credit risk, the implementation of Basel II entails the recognition, for regulatory capital purposes, of the internal models that have been used for management purposes.

The Bank intends to apply, over the next few years, the advanced internal ratings-based (AIRB) approach under Basel II for substantially all its banks, until the percentage of net exposure of the loan portfolio covered by this approach is close to 100%.

Given the medium-low risk profile characterizing Santander's business activities, since it focuses primarily on commercial banking (corporations, SMEs and individuals), and the significant diversification of the Bank's risk and business profiles will enable it to offset the additional capital requirements arising from the Internal Capital Adequacy Assessment Process (presented under Pillar 2), which takes into account the impact of risks not addressed under Pillar 1 and the benefits arising from the diversification among risks, businesses and geographical locations.

In addition to the supervisory validation and approval process, the Banco Santander continued in 2012 with the project for the progressive implementation of the technology platforms and methodological developments required for the roll-out of the AIRB approaches for regulatory capital calculation purposes. Therefore, the Bank expects to apply advanced approaches for the calculation of regulatory capital requirements at its business units in Brazil in 2014, after the required approval from the supervisory authorities has been obtained.

Regarding the other risks addressed under Pillar I of Basel II, the Banco Santander is developing internal models for market risk and will remain using the standardized method for operational risk, since it considers the premature use of advanced models (AMA) for this purpose . Regarding the Market Risk, Banco Santander presented his candidacy in the second half of 2011, pending approval with the regulators for the use of internal models for calculating regulatory capital.

Pillar 2 is another significant line of action under the Basel II Corporate Framework. In addition to reviewing and strengthening the methodology supporting the economic capital model, the technology was brought into line with the platform supporting Pillar 1, so that all the information on credit risk will come from this source when Brazil implement internal models under Pillar I.

Besides the Basel II implementations, Santander Bank is involved with the studies for the implementation of Basel III, as preliminaries guidelines and the schedule released by Basen. The studies involve methodology for ascertainment of the Regulatory Capital, minimum Requirements of RC's maintenance, level I from RC and Total Capital and Creation of Additional of Countercyclical Buffers and Conservation.

f.1) Internal validation of risk models

Internal validation is a pre-requisite for the supervisory validation process. A specialized unit of the Entity, with sufficient independence, obtains a technical opinion on the adequacy of the internal models for the intended internal or regulatory purposes, and concludes on their usefulness and effectiveness. This unit must also assess whether the risk management and control procedures are adequate for the Entity's risk strategy and profile.

In addition to complying with the regulatory requirement, the internal validation function provides an essential support to the risk committee and the local risk committees in the performance of their duties to authorize the use of the models (for management and regulatory purposes) and in their regular reviews, since senior management must ensure that the Entity has appropriate procedures and systems in place for the monitoring and control of credit risk.

Internal model validation at the Santander Bank encompasses credit risk models, market risk models, option pricing models and the economic capital model. The scope of the validation includes not only the more theoretical or methodological aspects, but also the technology systems and the quality of the data they provide, on which their effective operation relies, and, in general, all the relevant aspects of advanced risk management (controls, reporting, uses, involvement of senior management, etc.). Therefore, the aim of internal validation is to review quantitative, qualitative, technological and corporate governance-related aspects.

The internal validation function is located, at corporate level, within the Integrated Risk Control and Internal Risk Validation area (CIVIR) and reports directly to head office (the third deputy chairman of the Bank and to the chairman of the risk committee) in Madrid. This function is performed at a global and corporate level in order to ensure uniformity of application. The need to validate models implemented at thirteen different units subject to nine different local supervisors, combining efficiency and effectiveness, made it advisable to create four corporate validation centers located in Madrid, London, New York and Sao Paulo. This facilitates the application of a corporate methodology that is supported by a set of tools developed internally by the Santander Bank which provide a robust corporate framework for application at all the Bank's units and which automate certain verifications to ensure efficient reviews.

It should be noted that the Santander Bank's corporate internal validation framework is fully consistent with the internal validation criteria for advanced approaches issued by regulators. Accordingly, the Bank maintains the segregation of functions between internal validation and internal audit, which, in its role as the last layer of control at the Bank, is responsible for reviewing the methodology, tools and work performed by internal validation and for giving its opinion on the degree of effective independence.

f.2) Capital Management

Capital management considers the regulatory and economic levels. The objective is to achieve an efficient capital structure in terms of cost and compliance, meeting the requirements of the regulatory body and contributing to achieving the goals of the classification of rating agencies and investors' expectations. The capital management includes securitization, sale of assets, raising capital through issue of shares, subordinated liabilities and hybrid instruments.

From an economic standpoint, capital management seeks to optimize value creation at the Bank and at its different business segment. To this end, the economic capital, RORAC (return on risk-adjusted capital) and value creation data for each business segment are generated, analyzed and reported to the management committee on a quarterly basis. Within the framework of the internal capital adequacy assessment process (Pillar 2 of the Basel Capital Accord), the Group uses an economic capital measurement model with the objective of ensuring that there is sufficient capital available to support all the risks of its activity in different economic scenarios, with the solvency levels agreed upon by the Group.

In order to adequately manage the Bank's capital, it is essential to estimate and analyze future needs, in anticipation of the various phases of the business cycle. Projections of regulatory and economic capital are made based in financial projections (balance sheet, income statement, etc.) and on macroeconomic scenarios estimated by the Economic Research Service. These estimates are used by the Bank as a reference to plan the management actions (issues, securitizations, etc.) required to achieve its capital targets.

g) Economic capital

g.1) Main objectives

The development of economic capital models across the financial world was aimed at addressing a fundamental problem of regulatory capital, the Risk Sensitiveness.

In this context, economic capital models are primarily designed to yield risk sensitive estimations allowing a more accurately management risk, as well as a better economic capital allocation among different units within the organization.

The Banco Santander has been making all the efforts to build a robust economic capital model and integrate it fully in the management of the business.

The main objectives of Banco Santander's Economic Capital framework are:

1 – Consolidate Pillar I and other risks that affect business activities into a single quantitative model, as well as fine tune capital estimations by establishing correlations between the different risks;

2 – Quantify and monitor variations on different types of risk;

3 – Distribute capital consumption for the main portfolios and manage its return on capital efficiency (RoRAC);

4 – Estimate the Economic Value Added for each business unit. The Economic profit must surpass the group's Cost of Capital;

5 – Compliance with the home and host regulators in the process of the supervisory review of Pillar II.

g.2) The Economic Capital Model

When calculating economic capital, it is the Bank's responsibility to define the levels of losses that must be covered. Thus, it uses a level of confidence necessary to ensure the continuation of its business. Santander has adopted a confidence level above the 99.90% required by Basel II.

The risk profile in Brazil is distributed by the risks of Credit, Market, ALM, Business, Operational and Fixed Assets. However, to anticipated the changes proposed by Basel III, there are new risks introduced to the Economic Capital Model: Intangible Assets, Pension Funds (Defined Benefit) and Deferred Tax Assets, which allow the Bank to adopt a more conservative and prudent management.

% Capital		**2012**	**2011**	**2010**
Risk Type	**New Methodology**	**Comparison**		
Credit	57%	65%	63%	53%
Market	4%	4%	4%	7%
ALM	5%	6%	7%	12%
Business	8%	9%	9%	11%
Operational	13%	14%	16%	16%
Fixed Assets	1%	1%	1%	1%
Intangible Assets	4%	-	-	-
Pension Funds	3%	-	-	-
Deferred Tax Assets	5%	-	-	-
TOTAL	**100%**	**100%**	**100%**	**100%**

Nevertheless, the Credit is the main source of Santander's risk and the increase of the loan portfolio is the main responsible for your change over year. The Credit risk is respectively followed by the Operational risk, Business risk and ALM risk, as the most representative.

The Operational Risk is assessed by the Standardized approach which applies Beta factors to the Gross Income that is very punitive for countries with high spreads such as Brazil.

Banco Santander periodically assesses the level and evolution of the RORAC of its main business units. The RORAC is the profit generated over its economic capital employed, and is calculated using the following formula:

RoRAC=Profit/Economic Capital

Banco Santander also conducts capital planning aiming to obtain future projections of economic and regulatory capital. The forecasts obtained are incorporated into the various scenarios in a coherent way, including their strategic objectives (organic growth, M&A, pay-out ratio, debt issues, etc). Possible capital management strategies are identified to optimize the Bank's solvency and return on capital.

RoRAC

Banco Santander has been using RoRAC, with the following purposes:

1 – To analyze and set a minimum price for operations (admissions) and clients (monitoring);

2 – To estimate the capital consumption of each client, economic groups, portfolio or business segments in order to optimize the allocation of economic capital, thus maximizing the bank's efficiency; and

3 – To measure and follow the performance of its businesses.

For assessing each transaction with our global clients the economic capital takes into consideration some variables in order to calculate the Expected and Unexpected losses.

Amongst these variables it is taken into consideration:

1 – Counterparty rating;

2 – Maturity;

3 – Guarantees;

4 – Type of financing;

The return on capital is determined by the cost of capital. In order to create value for the shareholders the minimum return that a transaction must yield must be higher than Banco Santander's cost of capital. A transaction which does not cover the cost of capital is not approved.

46. Supplementary information – Conciliation of shareholders' equity and net income

The table below present a conciliation of shareholders' equity and net income attributed to the parent between standards adopted in Brazil (BRGAAP) and IFRS, with the conceptual description of the main adjustments:

Thousands of Reais	Note	2012	2011	2010
Shareholders' equity attributed under to the Parent Brazilian GAAP		**65,869,363**	**65,578,565**	**64,850,978**
IFRS adjustments, net of taxes, when applicable:				
Classification of financial instruments at fair value through profit or loss	a	7,032	13,840	(251)
Redesignation of financial instruments to available-for-sale	b	460,340	303,686	558,032
Impairment on loans and receivables	c	80,413	1,128,106	220,590
Deferral of financial fees, commissions and inherent costs under effective interest rate method	d	394,823	545,763	300,000
Reversal of goodwill amortization	e	13,423,171	9,786,227	6,682,775
Realization on purchase price adjustments	f	1,068,715	708,533	639,520
Share based payments	g	-	34,132	20,976
Others		12,994	(85,820)	52,698
Shareholders' equity attributed to the parent under IFRS		**81,316,851**	**78,013,032**	**73,325,318**
Non-controlling interest under IFRS		249,260	18,960	8,076
Shareholders' equity (including non-controlling interest) under IFRS		**81,566,111**	**78,031,992**	**73,333,394**

Thousands of Reais	Note	2012	2011	2010
Net income attributed to the Parent under Brazilian GAAP		**2,691,802**	**3,557,203**	**3,863,298**
IFRS adjustments, net of taxes, when applicable:				
Classification of financial instruments at fair value through profit or loss	a	(20,797)	18,918	(17,887)
Redesignation of financial instruments to available-for-sale	b	(118,847)	18,402	(16,300)
Impairment on loans and receivables	c	(628,474)	907,516	219,630
Deferral of financial fees, commissions and inherent costs under effective interest rate method	d	(150,940)	245,763	82,795
Reversal of goodwill amortization	e	3,636,944	3,103,452	3,241,146
Realization on purchase price adjustments	f	(59,037)	69,013	(87,581)
Pension plan discount rate	h	-	-	(1,082)
Others		98,009	(172,342)	98,074
Net income attributed to the parent under IFRS		**5,448,660**	**7,747,925**	**7,382,093**
Non-controlling interest under IFRS		10,618	7,928	481
Net income (including non-controlling interest) under IFRS		**5,459,278**	**7,755,853**	**7,382,574**

a) Classification of financial instruments at fair value through profit or loss:

Under BRGAAP, all loans and receivables and deposits are accounted for at amortized cost. Under IFRS, in accordance with IAS 39 “Financial Instruments: Recognition and Measurement” the financial assets can be measured at fair value and included in the category as “other financial assets at fair value through profit or loss” to eliminate or significantly reduce the accounting mismatch the recognition or measurement derived from measuring assets or liabilities or recognizing gains or losses on them on different bases, which are managed and their performance evaluated on the basis of fair value. Thus, the Bank classified loans, financing and deposits that meet these parameters, as the "other financial assets at fair value through profit or loss", as well as certain debt instruments classified as “available for sale” under BRGAAP. The Bank has selected such classification basis as it eliminates an accounting mismatch in the recognition of income and expenses.

b) Redesignation of financial instruments to available-for-sale:

Under BRGAAP, the Bank accounts some investments, for example, in debt securities at amortized cost and equity securities at cost. At the time of preparing this balance sheet, management revised its strategy for managing their investments and in accordance with the premises of the Central Bank Circular 3068, were reclassified debt securities category for "negotiation" with record in fair value through profit or loss. Under IFRS, the Bank has classified these investments as available for sale, measuring them at fair value with changes recognized in the "Consolidated statements of comprehensive income", within the scope of IAS 39 "Financial Instruments: Recognition and Measurement", which does not allow reclassification of any financial instrument for the fair value through profit or loss category after initial recognition.

c) Impairment on loans and receivables:

On the income refers to the adjust based on estimated losses on loans and receivables portfolio, which was established with based on historical loss of impairment and other circumstances known at the time of evaluation, according to the guidance provided by IAS 39 "Financial Instruments: Recognition and Measurement. These criteria differ in certain aspects of the criteria adopted under BRGAAP, which uses certain regulatory limits set by the Central Bank. Additionally, the equity accumulated adjustments of the allocation of purchase price when the acquisition of Banco Real, according to the requirements of IFRS 3 "Business Combinations".

d) Deferral of financial fees, commissions and other costs under effective interest rate method:

Under IFRS, in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”, financial fees, commissions and other costs that are integral part of effective interest rate of financial instruments measured at amortized cost are recognized in profit or loss over the term of the corresponding contracts. Under BRGAAP these fees and expenses are recognizes directly at income when received or paid.

e) Reversal of goodwill amortization:

Under BRGAAP, goodwill is amortized systematically over a period until 10 years and additionally, the goodwill recorded is measured annually or whenever there is any indication that the asset may be impaired. Under IFRS, in accordance with IAS 38 “Intangible Assets”, goodwill is not amortized, but instead, is tested for impairment, at least annually, and whenever there is an indication that the goodwill may be impaired; comparing its recoverable amount with its carrying value. The tax amortization of goodwill of Banco ABN Amro Real SA represents a difference between book and tax basis of a permanent nature and definitive as the possibility of future use of resources to settle a tax liability is considered remote by management, supported by the opinion of expert external advisors. The tax amortization of goodwill is permanent and definitive, and therefore does not apply to the recognition of a deferred tax liability in accordance with IAS 12, on temporary differences.

f) Realization on purchase price adjustments:

As part of the allocation of the purchase price related to the acquisition of Banco Real, following the requirements of IFRS 3, the Bank has recognized the assets and liabilities of the acquiree to fair value, including identifiable intangible assets with finite lives. Under BRGAAP, in a business combination, the assets and liabilities are kept at their book value. This purchase price adjustment relates substantially to the following items:

- The appropriation related to the value of assets in the loan portfolio. The initial recognition of value of the loans at fair value, adjustment to the yield curve of the loan portfolio in comparison to its nominal value, which is appropriated by its average realization period.

- The amortization of the identified intangible assets with finite lives over their estimated useful lives.

g) Share based payments:

Banco Santander has a local long-term compensation plans linked to payments based in shares. According to IFRS 2 "share based payments", the amount of shares to be paid should be measured at the fair value and accounted in equity, while in BRGAAP it is accounted in "Other Payables - Other". ". In January 2012, the BRGAAP began to adopt CMN Resolution 3,989/11, which eliminated this difference with IFRS.

h) Pension plan discount rate:

In 2010, the BRGAAP used the discount rate used for benefit obligations reflects the nominal interest rate while IFRS, in accordance with IAS 19 “Employee Benefits” used the rate to market yields of debts instruments. In December 2010, BRGAAP began to adopt CVM Resolution 600/2009, which eliminated the asymmetry with the international standard.

47. Subsequent events

Reduction of Santander Leasing S.A. Arrendamento Mercantil’s Capital

The capital of Santander Leasing was reduced without changing the number of shares issued in the amount of R$5,000,000, to be considered excessive to maintain their activities, according to article 173 of Law 6.404/1976 and under the company's EGM, held on January 4, 2013.

Such capital reduction will become effective only: (i) upon approval of Bacen, (ii) 60 days after publication of the minutes of the EGM which deliberated on the capital reduction, there has been no opposition from creditors, and (iii) after prior approval of the majority of the debenture holders of Santander Leasing.

APPENDIX I – SUBSIDIARIES OF BANCO SANTANDER (BRASIL) S.A.

Thousands of Reais

Direct and Indirect controlled by Banco Santander (Brasil) S.A.	Activity	Participation % Direct	Participation % Indirect	Stockholders' Equity	Net Gains (Losses)
Santander Brasil Asset Management Distribuidora de Títulos e Valores Mobiliários S.A. [2]	Asset Manager	99.99%	100.00%	172,443	55,313
Banco Bandepe S.A. [2]	Bank	100.00%	100.00%	3,168,549	284,022
Santander Leasing S.A. Arrendamento Mercantil [2]	Leasing	78.57%	99.99%	10,247,511	1,063,864
Aymoré Crédito, Financiamento e Investimento S.A. [2]	Financial	100.00%	100.00%	1,117,959	(103,556)
Santander Brasil Administradora de Consórcio Ltda. [2] [11]	Buying club	100.00%	100.00%	108,036	31,028
Santander Microcrédito Assessoria Financeira S.A. [4]	Microcredit	100.00%	100.00%	19,064	6,571
Santander Brasil Advisory Services S.A. [1] [4]	Other Activities	96.52%	96.52%	12,738	1,438
CRV Distribuidora de Títulos e Valores Mobiliários S.A. [2] [5]	Dealer	100.00%	100.00%	25,381	4,256
Santander Corretora de Câmbio e Valores Mobiliários S.A. [2]	Broker	99.99%	100.00%	301,868	63,142
Santander Participações S.A. [1] [4] [5]	Holding	100.00%	100.00%	1,199,541	190,317
Santander Getnet Serviços para Meios de Pagamento S.A. (Getnet) [4] [8]	Other Activities	50.00%	50.00%	53,271	36,481
Sancap Investimentos e Participações S.A. [4]	Holding	100.00%	100.00%	333,744	116,873
Mantiq Investimentos Ltda. [4] [6]	Other Activities	100.00%	100.00%	6,503	1,703
Santos Energia Participações S.A. [4] [6]	Holding	100.00%	100.00%	5,281	(841)
MS Participações Societárias S.A.	Holding	99.97%	99.97%	26,627	(16,577)
Santander Brasil EFC [2] [7]	Financial	100.00%	100.00%	2,018,347	2,263
Santander S.A. Serviços Técnicos, Administrativos e de Corretagem de Seguros [10]	Insurance Broker	60.65%	60.65%	562,660	8,614
Controlled by Sancap					
Santander Capitalização S.A. [3]	Savings and annuities	-	100.00%	272,003	116,889
Controlled by Santander Serviços S.A.					
Webmotors S.A. [4] [10]	Other Activities	-	100.00%	70,102	9,680
Brazil Foreign Diversified Payment Rights Finance Company	Securitization	-	(a)	-	-

(a) Company over which effective control is exercised, according with IAS 27 – Consolidated and Separate Financial Statements and SIC 12 – Consolidation – Special Purpose Entities, and there is no equity.

(1) At the Extraordinary General Meeting held on August 26, 2011 the following was approved (i) change in name from Santander Advisory Services S.A. to Santander Participações S.A.; (ii) change in name from Santander CHP S.A. to Santander Brasil Advisory Services S.A.; and (iii) amendment of their by-laws in order to change their legal purposes.

(2) The adjusted stockholders' equity and the net income are in accordance with accounting practices established by Brazilian Corporate Law and standards established by the CMN, the Bacen and document template provided in the Accounting National Financial System Institutions (Cosif) and the CVM, that does not conflict with the rules of Bacen.

(3) The adjusted stockholders' equity and the net income are in accordance with the pronouncements and interpretations issued by the Accounting Pronouncements Committee (CPC) and countersigned by the National Council of Private Insurance (CNSP) and the Susep.

(4) The adjusted stockholders' equity and the net income are in accordance with accounting practices established by Brazilian Corporate Law, in conjunction to technical pronouncement of the CPC, correlated to the International Financial Reporting Standards - IFRS.

(5) On August 31,2011 occurred the partial spin-off of CRV DTVM with the version of the splited portion of Santander Participações, being that the split portion was referring solely to the entire interest held by CRV DTVM in the capital of Santander Securities (Brasil) Corretora de Valores Mobiliários S.A. (Santander Securities). On the same date, Santander Securities was acquired by Santander Participações. On January 23, 2012 the partial spin-off was approved by the Bacen.

(6) Investment acquired in December 2011.

(7) Independent subsidiary in Spain, established in March 2012.

(8) Banco Santander holds power in decisions related to business strategy, also the bank enables to Getnet the use of the branch network and the Bank's brand to marketing products which among other factors determines the control of the Bank under the entity.

(9) Investment acquired in February 2011.

(10) Partial spin-off of Santander Participações, based version of the spun-off assets to Santander Serviços ("Partial Spin-Off) held on December 31, 2012. The spun-off assets corresponded to investments in Santander Serviços and Webmotors S.A. The Partial Spin-off took place through the transfer of net assets of Santander Participações to the capital of Santander Serviços, based on the audited balance sheet as at November 30, 2012. Equity changes that occur between the base date of such balance sheet and the execution of the Partial Spin-off were recognized and recorded directly into Santander Serviços; Capital increase in Santander Serviços in December 31, 2012 amounts of R$371,000, with the issuance of 113,803,680,982 common shares, fully subscribed and paid by Santusa Holding, S.L. ("Santusa"), investment entity controlled by Banco Santander Espanha, in Spain. After such transation, Santander Serviços capital stock to be owned by Banco Santander and Santusa, in the proportion of 60.65% and 39.35%, respectively. Acquisition by Santander Serviços shares of the company Tecnologia Bancária S.A. - Tecban held by Santusa as sale and purchase agreement entered into between the parties on january 21, 2013. The acquisition, corresponding to 20.82% of the share capital of Tecban, is subject to authorization by the Bacen persuant to Resolution 4.062/2012.

(11) At meetings held on July 25, 2012, the Board of Directors of Santander Consórcios and Santander Brasil Consórcios agreed and decided to submit for approval from their respective partners, the incorporation propose of Santander Consórcios ("Incorporated") by Santander Brasil Consórcio ("Incorporator") ("Incorporation") which was approved at meeting of the Partners Incorporated and Incorporator on July 31, 2012. The merger will give through the transfer of the net book value of incorporated for the equity of the incorporator, based on the audited balance sheet at June 30, 2012. The equity variations occurred between the base date of that balance sheet and the effectiveness of the incorporation (the date of the Contract Amendment) will be recognized and recorded directly on the incorporator. On November 30, 2012 this process of incorporation was approved by the Bacen.

INVESTOR RELATIONS

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